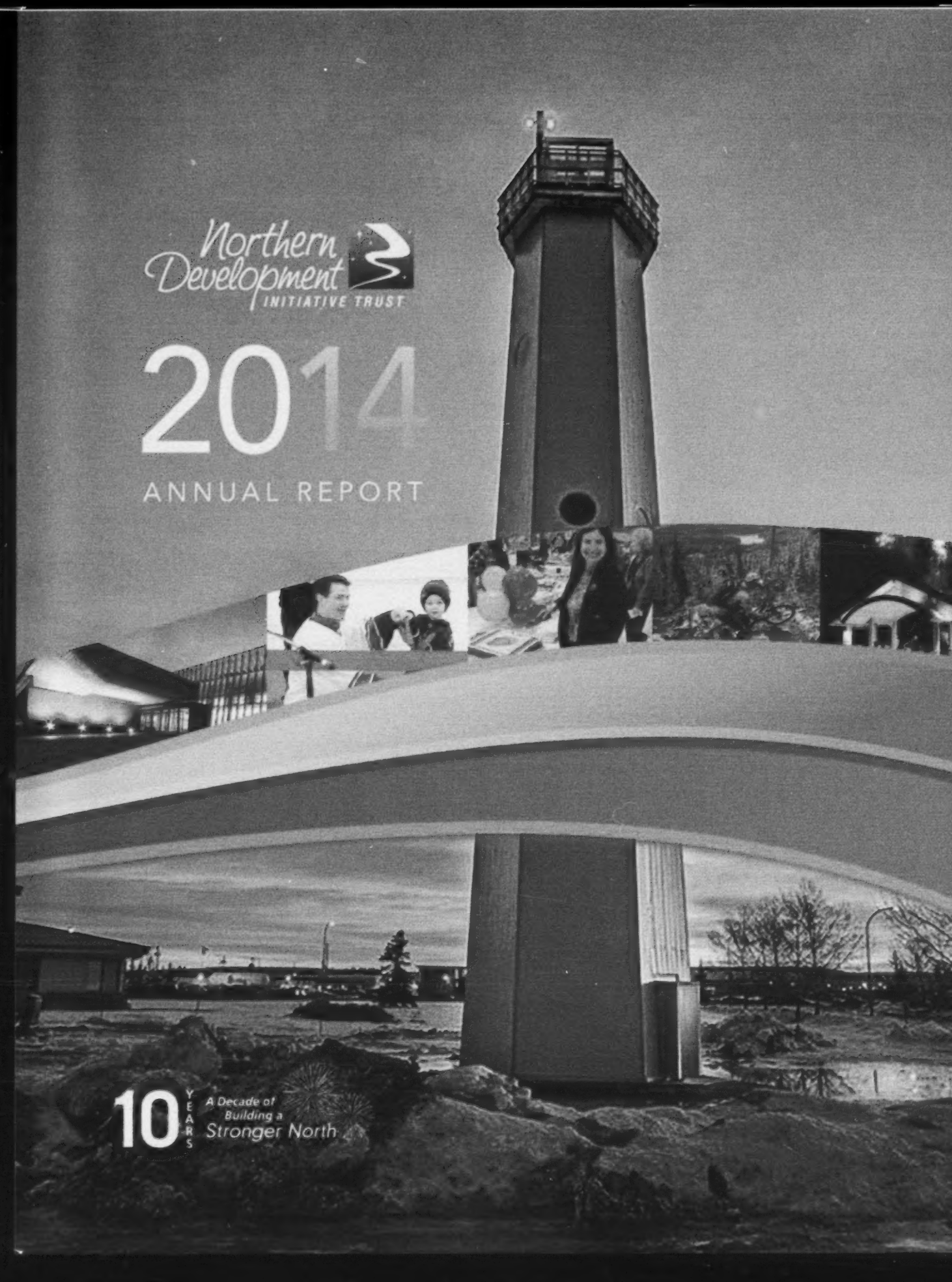
Northern Development
INITIATIVE TRUST
2014
ANNUAL REPORT
10 YEARS
A Decade of Building a Stronger North

Cover Image

In 2011, Northern Development provided a $138,000 in funding to help build a wind turbine training tower (pictured) at Northern Lights College in Dawson Creek.

Credit: Northern Lights College

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Northern Development INITIATIVE TRUST

10 YEARS A Decade of Building a Stronger North

About Northern Development Section 1

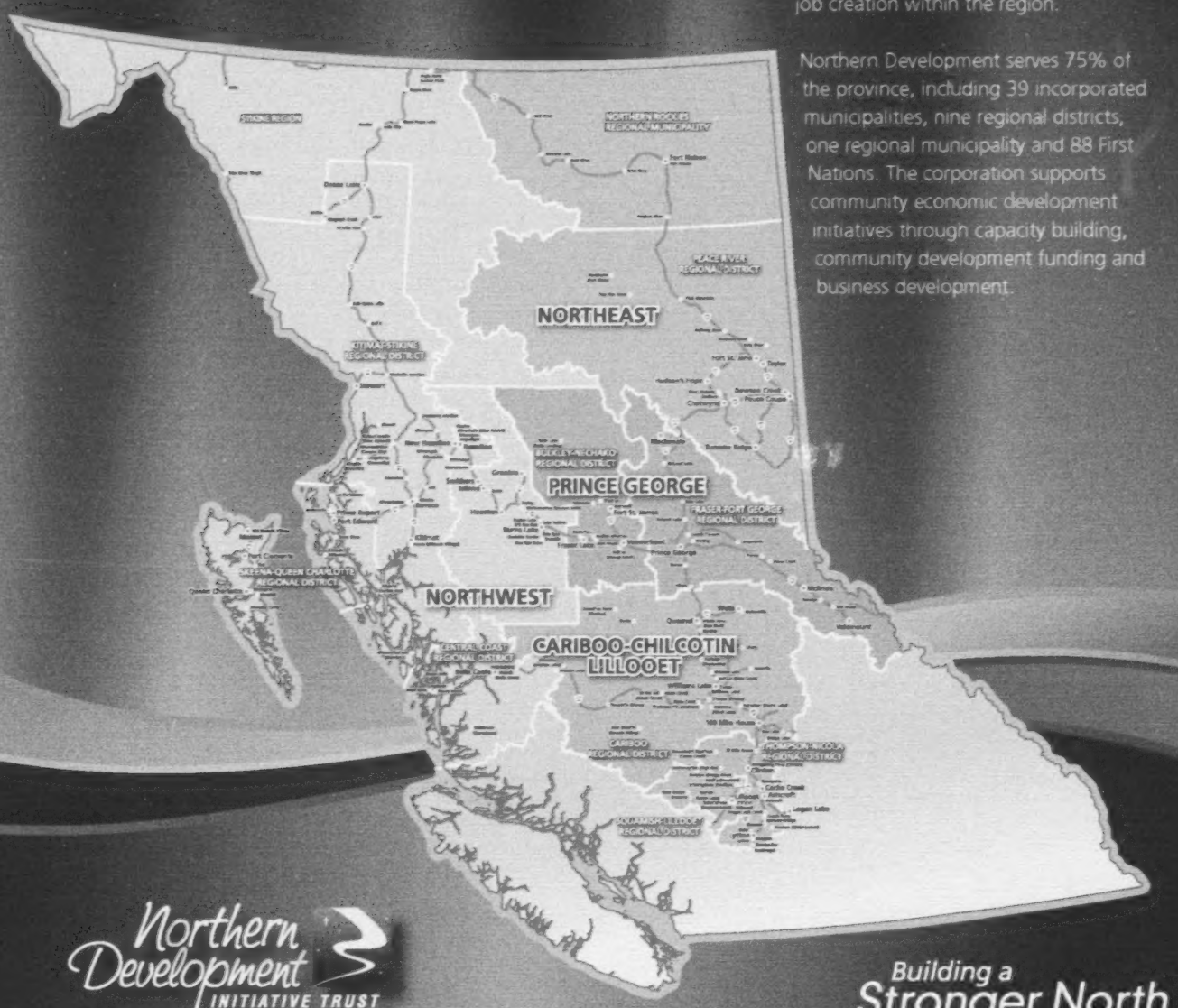
By northerners, for northerners

The Northern Development board, regional advisory committees and staff have a passion for growing the economy of central and northern British Columbia. When the Premier of British Columbia announced the creation of Northern Development Initiative Trust in 2004, it was on the premise that, "the best economic development decisions for the North should be made in the North." On October 6, 2004 the Province of British Columbia introduced Bill 59, the Northern Development Initiative Trust Act.

On September 21, 2005, the Province of British Columbia introduced Bill 6, the Northern Development Initiative Trust Amendment Act, 2005. Under Bill 6, the Trust received an additional capital infusion of $50 million from the Province.

Established through these acts of legislation, and initially infused with two deposits totalling $185 million, Northern Development operates independently from government and provides the funding and ability to identify and pursue new opportunities for stimulating economic growth and job creation within the region.

Northern Development serves 75% of the province, including 39 incorporated municipalities, nine regional districts, one regional municipality and 88 First Nations. The corporation supports community economic development initiatives through capacity building, community development funding and business development.



Northern Development Initiative Trust

Building a Stronger North

Northern Development by the numbers

$185 million - Province of B.C. initial capital infusion 2004 and 2005

Leveraged to become $1.2 billion in new investment in central and northern B.C. since 2005

$123 million – total amount of funding approved for projects since 2005

1,569 projects

6,189 jobs created

2,512 partnerships created

72% of funding approved
for projects in communities with less than 5,000 people

6.4% average annual Return on Investment

Mission, Value Statement and Ethics

Mission

The Trust exists to stimulate economic growth through strategic and leveraged investments that build a strong and diversified economy in central and northern British Columbia.

Value Statement

We strive to be trusted for our:

- Integrity
- Collaboration
- Accountability
- Passion

We are responsive, yet responsible.

Ethics

As stewards of a public trust incorporated under legislation by the Province of British Columbia, we promise to:

- Dedicate ourselves to building economic capacity and sustainability throughout the Trust's service area
- Responsibly steward a capital base to support Trust area communities in perpetuity
- Develop strong partnerships throughout the region and uphold the values of the communities we serve

But not to;

- Favour one region, community or business over another
- Adopt or promote a political affiliation or put our interests ahead of central and northern B.C.'s

Since 2005, Northern Development has approved more than $1 million in funding for 14 mountain biking development projects throughout the region.

Credit: Big Pig Mountain Bike Festival

Message from the Chair and CEO

Evan Saugstad
Chair
Northern Development

Janine North
CEO
Northern Development

Northern Development continued to deliver on its mission to build a stronger north in 2014, generating a record year of funding and project approvals across the region. The Trust approved $10.4 million in grants in 2014 for 315 projects; representing a 69% increase in funding approvals and 42% increase in the number of projects when compared with 2013.

The increase in funding approvals is a direct result of three key initiatives:

1. In 2014, the annual grant ceiling was increased to 7% from 5% of the Trust's capital base in an effort to get more funding into communities throughout the region, and reflect the Trust's average annual return on its investments since inception

2. The maximum grants available under the Trust's Economic Development Capacity Building and Grant Writing programs were increased to $50,000 and $8,000 respectively, ensuring communities throughout the region had the funds and capacity they need to invest in economic development

3. Northern Development's board, regional advisors, community partners and staff continued to strengthen the "northern network", finding new and innovative ways to tailor the Trust's funding and capacity building programs to effectively respond to community needs and the region's economic development priorities

As of December 31, 2014, the Trust had approved $123 million in funding for 1,569 projects since it was created in 2005. Since the beginning, the Trust's capital base has been managed sustainably, meaning that only a portion of its capital base equivalent to its long term annual investment returns is granted out each year. Northern Development's average annual return on investment has averaged 6.4% since 2005. That has meant that, since inception, the Trust has been able to approve 66% of its original $185 million capital base while also growing that capital base at the same time.

As of December 31, 2014, Northern Development's capital base totalled approximately $221 million, which, if adjusted for inflation since 2005, means the Trust's capital base has approximately the same value today as it did in 2005. In short, the vision for a regionally led sustainably managed fund has helped diversify the economy in central and northern B.C., and created a legacy for the region that's unique in British Columbia.

In 2014, the Trust managed 13 distinct funding programs and a host of capacity building services that provide crucial support to 49 local governments and 88 First Nations in an area that encompasses 75% of B.C. The board's decision to combine the regional funding accounts in 2012 continued to generate value for communities in 2014. Funding approvals in the Northwest region increased 62% to $1.2 million in 2014 compared with $762,605 in 2013. In the Northeast, funding approvals increased 100% to nearly $1.5 million in 2014 compared with $740,817 the year before. In the Prince George region, funding approvals in 2014 increased 20% to $1.4 million compared with $1.2 million in 2013. And, in the Cariboo-Chilcotin/Lillooet region, funding approvals increased nearly 100% to $1 million in 2014 compared with $504,957 in 2013.

As well, 98% of the applications submitted to the Trust for funding were approved in 2014 – and 72% of all projects approved in 2014 supported communities with less than 5,000 residents, ensuring that the region's small communities aren't left behind.

2014 was also notable for the diverse range of initiatives the Trust undertook – each of them an example of regional collaboration. The Supply Chain Connector, B.C.'s most robust industry procurement database, grew in 2014 to include 2,100 businesses throughout central and northern B.C. that are now positioned to take better advantage of major projects. Northern Development's Small Town Love partnership also expanded to include 17 communities in 2014, providing a marketing boost for the region's many locally owned, independent businesses and shops.

The Trust's internship programs also expanded and continued to provide much-needed capacity to the region in 2014. Northern Development hired four economic development interns and collaborated with municipalities and regional districts to place six local government interns in communities throughout the region ranging from Bella Coola to Hudson's Hope. As well, the Trust partnered with the Ministry of Community, Sport and Cultural Development in 2014 to deliver a civic planning internship program, which saw five recent university planning program graduates take positions in the region to provide municipalities and regional districts with much-needed additional planning capacity.

The Trust also partnered with the Province of B.C. to hire a Community Industry Liaison, who provided communications services to northwest local governments to help them better understand and review components of the environmental assessment process associated with proposed LNG projects. Northern Development also delivered LNG-Buy B.C. boot camps in partnership with the Province of B.C. throughout the region to help businesses better understand and prepare for the procurement process associated with major projects. And the Trust partnered with the Ministry of Community, Sport and Cultural Development to assist in the delivery of up to $1 million in asset management and land-use planning grants in northwest B.C.

2014 was a busy year. Northern Development's success is thanks to a passionate and dedicated group of staff, 13 board members, 67 elected regional advisors, 54 grant writers and a host of community partners and businesses that collaborate with us every day to build a stronger north.

Governance, Financial Overview and Strategic Plan Section 2

Governance

Northern Development Initiative Trust's 13-member board of directors consists of eight elected local government officials appointed by the four regional advisory committees, and five regional business leaders appointed by the Province of British Columbia. All 13 directors must be residents of the Northern Development region. The board is committed to upholding Northern Development's strategic direction, policy decisions and effectiveness, while being transparent and open to the residents of the region. The board meets quarterly and as required. The November 2014 municipal elections resulted in changes to many communities throughout the region. As a result, some members of the Trust's board from 2014 are no longer on the board. Northern Development's board of directors in 2014 consisted of:

Elected Leaders Appointed by Regional Advisors:

Lori Ackerman
Mayor, Fort St. John
Northeast Region

David Pernarowski
Mayor, Terrace
Northwest Region

Sally Watson
Director, Thompson Nicola Regional District
Cariboo-Chilcotin/Lillooet Region

Mitch Campsall
Mayor, 100 Mile House
Cariboo-Chilcotin/Lillooet Region

Bill Streeper
Mayor, Northern Rockies Regional Municipality (Fort Nelson)
Northeast Region

Carol Kulesha
Mayor, Queen Charlotte
Northwest Region

Shari Green
Mayor, Prince George
Prince George Region

Stephanie Killam
Mayor, Mackenzie
Prince George Region

Appointed by Province of British Columbia:

Evan Saugstad
Chair
Provincial Appointee - Northeast Region

Gerald Wesley
Vice Chair
Provincial Appointee - Northwest Region

Daniel J. Schilds
Provincial Appointee - Northeast Region

Wendy Benyk
Provincial Appointee - Northwest Region

Thomas Hoffman
Provincial Appointee - Cariboo-Chilcotin/Lillooet Region

Four regional advisory committees also advise the Northern Development board. Each regional advisory committee elects a chair and vice chair, and also elects two members to join the board. The four regional advisory committees are comprised of 67 locally elected leaders from each of the regions. Regional advisors meet quarterly to review funding applications, policy recommendations, strategic plans and to discuss regional economic development issues. Local and regional intelligence, a low level of bureaucracy and a strong focus on engaging communities as partners enable Northern Development's highly effective funding delivery model.

2014 Cariboo Chilcotin/Lillooet Regional Advisory Committee (RAC) Members

Director **Sally Watson**
Thompson Nicola Regional District - RAC Chair

Mayor **Mitch Campsall**
District of 100 Mile House
Vice-Chair

Councillor **Jerry Fiddick**
Village of Ashcroft

Mayor **John Ranta**
Village of Cache Creek

Director **Ted Armstrong**
Cariboo Regional District

Director **Margo Wagner**
Cariboo Regional District

Mayor **Jim Rivett**
Village of Clinton

Councillor **Kevin Anderson**
District of Lillooet

Councillor **Gary Youd**
District of Logan Lake

Mayor **Jessoa Lightfoot**
Village of Lytton

Mayor **Mary Sjostrom**
City of Quesnel

Director **Mickey Macri**
Squamish-Lillooet Regional District

Director **Debbie Demare**
Squamish-Lillooet Regional District

Director **Steve Rice**
Thompson-Nicola Regional District

Mayor **Robin Sharpe**
District of Wells

Mayor **Kerry Cook**
City of Williams Lake

Cariboo North MLA **Coralee Oakes**

Cariboo South MLA **Donna Barnett**

Yale Lillooet MLA **Jackie Tegart**

Northern Development Provincial Appointee **Thomas Hoffman**

2014 Northeast Regional Advisory Committee (RAC) Members

Mayor **Lori Ackerman**
City of Fort St. John
RAC Chair

Mayor **Bill Streeper**
Northern Rockies Regional Municipality
Vice-Chair

Councillor **Laura Weisgerber**
District of Chetwynd

Mayor **Dale Bumstead**
City of Dawson Creek

Councillor **Travous Quibell**
District of Hudson's Hope

Director **Karen Goodings**
Peace River Regional District

Director **Arthur Hadland**
Peace River Regional District

Director **Leonard Hiebert**
Peace River Regional District

Director **Jerrilyn Schembri**
Peace River Regional District

Mayor **Colleen Evans**
Village of Pouce Coupe

Mayor **Fred Jarvis**
District of Taylor

Councillor **Tim Snyder**
District of Tumbler Ridge

Peace River North MLA **Pat Pimm**

Peace River South MLA **Mike Bernier**

Northern Development Provincial Appointee **Danny Schilds**

Northern Development Provincial Appointee **Evan Saugstad**

2014 Northwest Regional Advisory Committee (RAC) Members

Mayor **Dave Pernarowski**
City of Terrace
RAC Chair

Mayor **Taylor Bachrach**
Town of Smithers
Vice-Chair

Director **Stony Stoltenberg**
Regional District of Bulkley-Nechako

Mayor **Luke Strimbold**
Village of Burns Lake

Director **David Anderson**
Central Coast Regional District

Mayor **Linda McGuire**
Village of Granisle

Mayor **Alice Maitland**
Village of Hazelton

Councillor **Shane Brienen**
District of Houston

Mayor **Joanne Monaghan**
District of Kitimat

Chair **Harry Nyce**
Regional District of Kitimat-Stikine

Councillor **Barry Pages**
Village of Masset

Mayor **Gail Lowry**
District of New Hazelton

Councillor **Urs Thomas**
Village of Port Clements

Mayor **Dave MacDonald**
District of Port Edward

Councillor **Gina Garon**
City of Prince Rupert

Mayor **Carol Kulesha**
Village of Queen Charlotte

Director **Michael Racz**
Skeena-Queen Charlotte Regional District

Mayor **Galina Durant**
District of Stewart

Councillor **Rimas Zitkauskas**
Village of Telkwa

North Coast MLA **Jennifer Rice**

Skeena MLA **Robin Austin**

Stikine MLA **Doug Donaldson**

Northern Development Provincial Appointee **Wendy Benyk**

Northern Development Provincial Appointee **Gerald Wesley**

2014 Prince George Regional Advisory Committee (RAC) Members

Mayor **Stephanie Killam**
District of Mackenzie
RAC Chair

Mayor **Gerry Thiessen**
District of Vanderhoof
Vice-Chair

Director **Bill Miller**
Regional District of Bulkley-Nechako

Mayor **Rob MacDougall**
District of Fort St. James

Chair **Art Kaehn**
Regional District of Fraser Fort-George

Mayor **Dwayne Lindstrom**
Village of Fraser Lake

Mayor **Michael Frazier**
Village of McBride

Mayor **Shari Green**
City of Prince George

Mayor **Andru McCracken**
Village of Valemount

Nechako Lakes MLA **John Rustad**

Prince George-Mackenzie MLA **Mike Morris**

Prince George-Valemount MLA **Shirley Bond**

Financial Overview

Northern Development's initial capital infusion totalled $185 million from the Province of British Columbia by way of the Northern Development Initiative Trust Act in the fall of 2004 and amended Act in 2005. The capital was divided into seven accounts, including $20 million accounts for each of the Trust's regional development areas: the Cariboo-Chilcotin/Lillooet, Northeast, Northwest and Prince George regions. These accounts are used to support investment in each designated region via Northern Development's funding programs.

In addition to the four Regional Development Accounts, a Cross Regional account, for projects that have positive economic impact across regional boundaries, was seeded with $50 million. As well, a Pine Beetle Recovery account was also created with $30 million. It is designed to support economic diversification in areas affected by the Mountain Pine Beetle epidemic. Finally, an Operating Endowment Account was infused with $25 million, and the investment income from this account funds Northern Development's annual operating budget, which includes staff, board and regional advisory committee costs.

The following chart demonstrates the opening deposits and the balances of Northern Development's funds as of December 31, 2014:

Total Capital	$185.0M	$218.4M	$240.2M
Development Accounts	**2005**	**2013**	**2014**
Prince George	$20.0M	$29.2M	$32.5M
Cariboo-Chilcotin/Lillooet	$20.0M	$23.3M	$26.1M
Northwest	$20.0M	$23.7M	$26.4M
Northeast	$20.0M	$28.3M	$31.3M
Cross Regional Account	$50.0M	$60.1M	$65.4M
Pine Beetle Recovery Account	$30.0M	$25.6M	$28.8M
Operating Endowment Account	$25.0M	$28.2M	$29.7M

Since 2005, Northern Development's board and regional advisors have stewarded the capital base sustainably to ensure it continues to generate economic benefits for communities and the region for years to come. As a result, the Trust's accounts are invested in a balanced portfolio of equity and fixed income instruments with Mawer Investment Inc. Northern Development's Statement of Investment Policies and Procedures governs how the Trust handles investments, its mix of assets, performance goals for each asset and prohibitions. The asset mix consists of two types of fixed-income, two types of equities, and a fifth asset class held as cash equivalent.

These investments generate an annual return on the capital base. Since 2005, Northern Development's annual return on its investment has averaged 6.4%. Each year, Northern Development reviews the balance in each of its funding accounts, less commitments, and calculates an annual grant ceiling for each account. That grant ceiling is the annual amount of money the Trust can disburse each year in the form of grants and loans to support economic development projects, while also ensuring the capital base remains sustainable.

In 2014, the annual grant ceiling was increased to 7% from 5% in an effort to get more funding into communities throughout the region and reflect the Trust's average annual return on its investments since inception. That increase meant Northern Development approved $10.4 million in grants in 2014, a significant increase when compared with the $5.5 million in total grants approved in 2013.

For more information on Northern Development investments and account balances, please see the detailed account information provide on pages 52 to 67 of this report.

14% **Northern Development's annual return on investment in 2014**

62%

the increase in funding approvals in the Northwest region in 2014 compared with 2013 ($1.2 million total)

$10.4 million

the total amount of funding approved in 2014

100% **the increase in funding approvals in the Northeast region in 2014 compared with 2013 ($1.5 million total)**

100%

the increase in funding approvals in the Cariboo Chilcotin / Lillooet region in 2014 compared with 2013 ($1 million total)

the increase in funding approvals in the Prince George region in 2014 compared with 2013 ($1.4 million total) **20%**

At a Glance: Northern Development Strategic Plan

Each year, Northern Development updates its ongoing three-year strategic plan to ensure the organization's staff, board and regional advisors understand the Trust's four core focus areas, goals for each focus area and desired outcomes. The strategic plan is a living document that serves as a guide to ensure the organization continues to focus on its mission and achieve its goal to continually build a stronger north. The plan is publicly available and published on the Trust's corporate website at www.northerndevelopment.bc.ca.

	Goal	Desired Outcomes
Funding	**Communities have access to sustainable funding to support economic development initiatives.**	• The maximum funding available each year for communities is approved. • First Nations participation in programs is increased. • Programs that are responsively developed to meet the needs of the region.
Capacity Building	**Communities have the resources and expertise to grow a resilient economy with engaged citizens.**	• Communities have access to an increased pool of candidates for local government succession. • The region and its communities gain positive profile and increase public engagement. • Communities are positioned to attract new business. • Collaborative partnerships maximize grant dollars flowing into communities.
Business Development	**Local businesses have the capability to grow.**	• Manufacturers, suppliers, and independently owned retail and service sector businesses grow their customer base, revenues, staffing and profitability.
Best Practices	**Northern Development is the leader in regional economic development.**	• Northern Development board and staff are highly trusted to steward the assets of the Trust. • Program delivery is responsive with continuous improvement and innovation.

Achievements to date

Northern Development Initiative Trust's primary goal is to, directly and through leveraged investment, attract between $1 and $2 billion of new investment into the communities it serves to aid in realizing their economic potential by 2020, and to steward a sustainable capital base of at least $185 million to continue investing in the region.

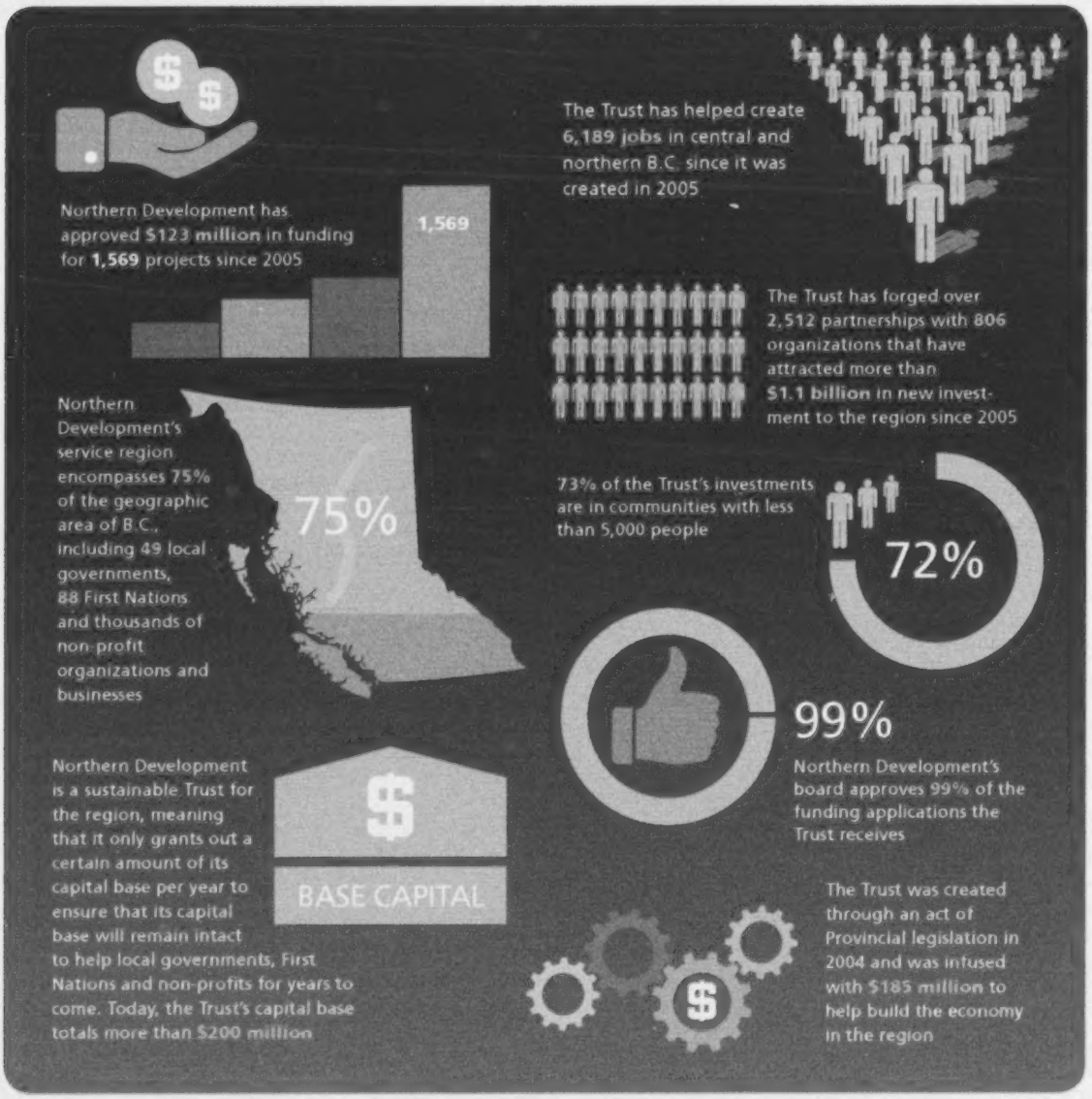
As of December 31, 2014, the Trust had approved $123.3 million in funding since its inception. That funding has been leveraged with funding from other sources to attract a combined $1.2 billion in new investment to the region since 2005, which met the Trust board's minimum threshold goal earlier than anticipated.

By the end of 2014, Northern Development had partnered with 2,512 funders on 1,569 projects since 2005. In 2014 alone, the Trust forged 360 new partnerships on 315 unique economic development projects. Those partnerships have helped created new jobs across the region. To date 6,189 jobs have been created. There were 99 new jobs reported between all funding programs in 2014. By 2008, the Trust has worked with and invested in every community it serves. As well, independent businesses invested in 27.2% of all projects (427 of 1,569 total approved projects) as of December 31, 2014. This is 1.25% more than in 2013 and incorporates 98 new projects with private sector involvement that were approved in 2013.

In terms of project funding, Northern Development's continued focus on leveraging has helped ensure more funding dollars are attracted to the region each year to invest in projects and programs that strengthen the economy. Leveraging means the amount of money that an economic development project attracts in addition to the funding that Northern Development provides. Northern Development's goal is to leverage $2.50 in funding for every $1 the Trust provides for a project or program. The cumulative average since inception of the Trust is $1.00 from Northern Development to $8.62 from other sources, which far surpasses the $1.00 to $2.50 goal that the board originally established.

The Trust has also stewarded its capital base well through ups and downs in the economy. Since 2005, Northern Development's average annual return has been 6.4%. In 2014, the Trust's return on investment totalled 14%. These returns have exceeded benchmark indexes on both fixed income and equity investments, allowing Northern Development to increase its annual grant ceilings without dipping into its capital base. Since inception the average amount flowed to projects as a percentage of the capital base (ROI) is 3.2%. Cumulative return on investment is 55.2% from January 2005 to December 31, 2014.

Northern Development has also partnered with communities throughout the region to provide funding that supports the hiring of more community-based grant writers, who are then able to "shake the money tree" and find additional funding dollars for important projects. Since 2007, the Trust has provided support through this program 387 times, totaling $2.8 million in direct funding from Northern Development to ensure the region has increased grant writing capacity. In 2014, Northern Development provided funding for 56 grant writer positions, totaling $447,619 in incremental support.


Northern Development has approved $123 million in funding for 1,569 projects since 2005
1,569
The Trust has helped create 6,189 jobs in central and northern B.C. since it was created in 2005
The Trust has forged over 2,512 partnerships with 806 organizations that have attracted more than $1.1 billion in new investment to the region since 2005
Northern Development's service region encompasses 75% of the geographic area of B.C., including 49 local governments, 88 First Nations and thousands of non-profit organizations and businesses
75%
73% of the Trust's investments are in communities with less than 5,000 people
72%
99%
Northern Development's board approves 99% of the funding applications the Trust receives
Northern Development is a sustainable Trust for the region, meaning that it only grants out a certain amount of its capital base per year to ensure that its capital base will remain intact to help local governments, First Nations and non-profits for years to come. Today, the Trust's capital base totals more than $200 million
BASE CAPITAL
The Trust was created through an act of Provincial legislation in 2004 and was infused with $185 million to help build the economy in the region

A "get to yes" approach to project funding has helped Northern Development become a go-to source for project funding in the region, increasing investment and job creation in central and northern B.C. Depending on the program, applicants receive decisions on their applications within a range of five to 100 days. The Trust's annual client satisfaction survey in 2014 resulted in a 99% overall approval rating, and in 2013 provided a 99% overall approval rating.

Funding Section 3

Program Delivery

Northern Development delivers 13 distinct funding programs that provide support for a range of community needs including infrastructure upgrades, community hall repairs, recreation facilities, marketing plans and other initiatives. Northern Development's community development programs are the primary focus of this funding program delivery priority area, and primarily fund physical infrastructure improvements. These programs are not used to provide operational funding.

To date, Northern Development has committed $68.4 million to 511 community development projects worth more than $819.17 million. The programs that fall within this category include the Economic Diversification Infrastructure program, Community Halls and Recreation Facilities program, Capital Investment Analysis program (formerly Feasibility Studies), Community Foundations program, Marketing Initiatives program, Business Façade Improvement program and Community Revitalization program.

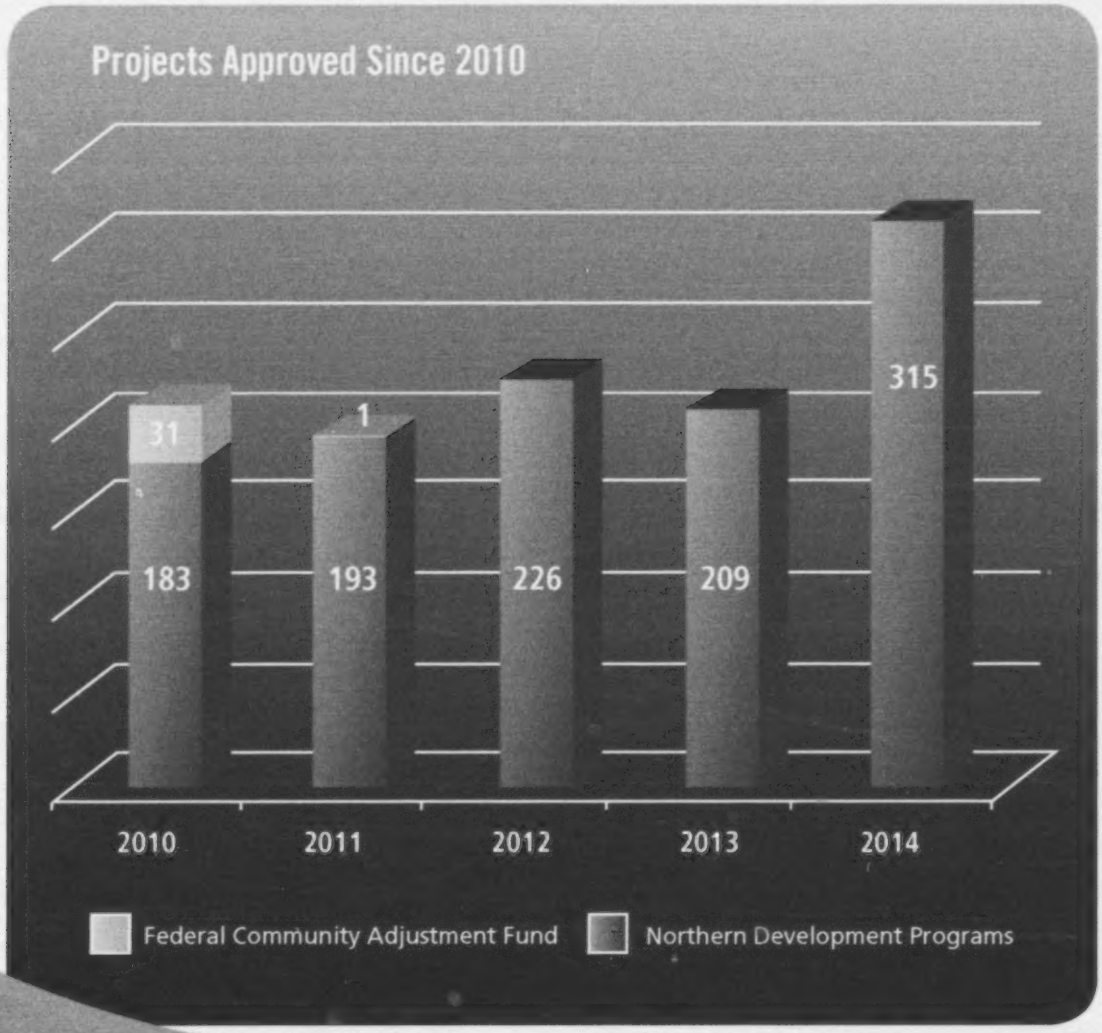
Each of these programs was created in partnership with the Trust's regional advisors and community collaborators, and responds to specific needs that are unique to the region's urban and rural settings. In 2014, staff worked very closely with local governments, First Nations and non-profits that wished to access Northern Development funding throughout the region. Staff continue to be focused on providing a high level of client service, coaching applicants to success, networking with other funding agencies to move projects forward and conducting due diligence prior to board recommendations on all projects.

Performance Indicators

Northern Development's funding programs have a number of performance indicators that reflect back to the Trust's strategic plan, but also help the organization track its goals and achievements over time.

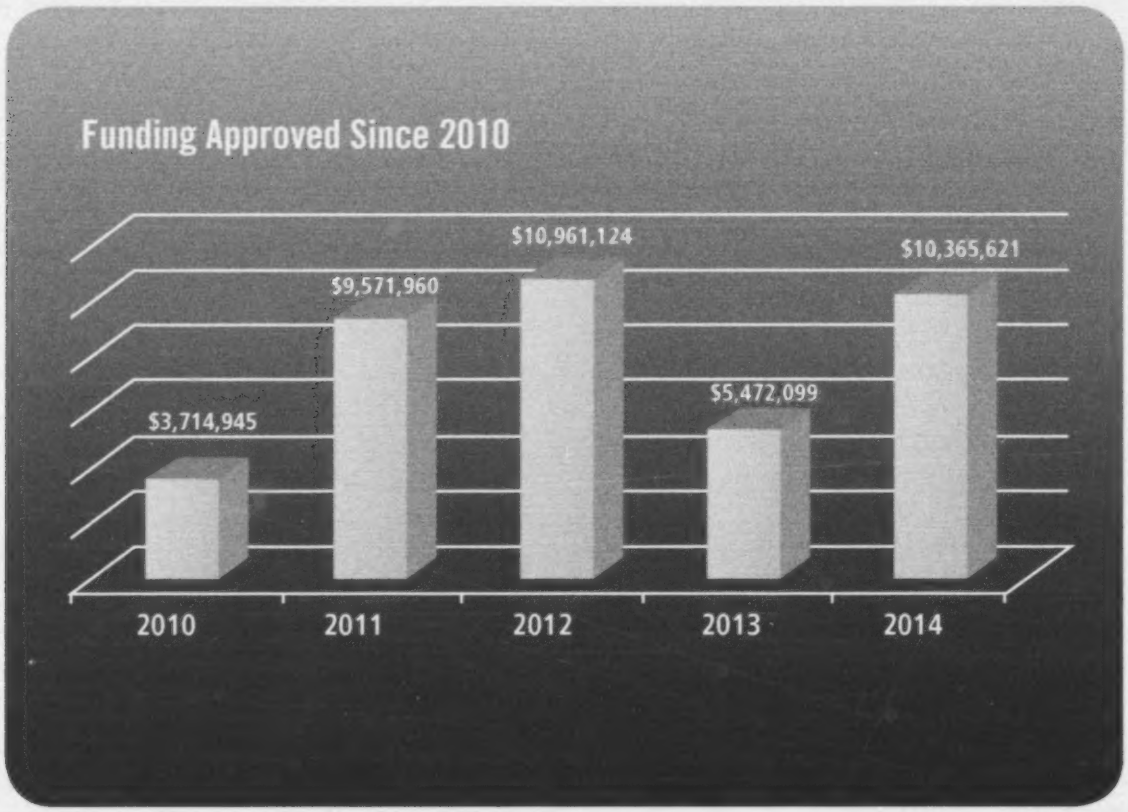
Application Approval

Project approvals for Northern Development programs increased to 315 approvals in 2014 from 209 in 2013, representing an increase of 106 project approvals compared with 2013.



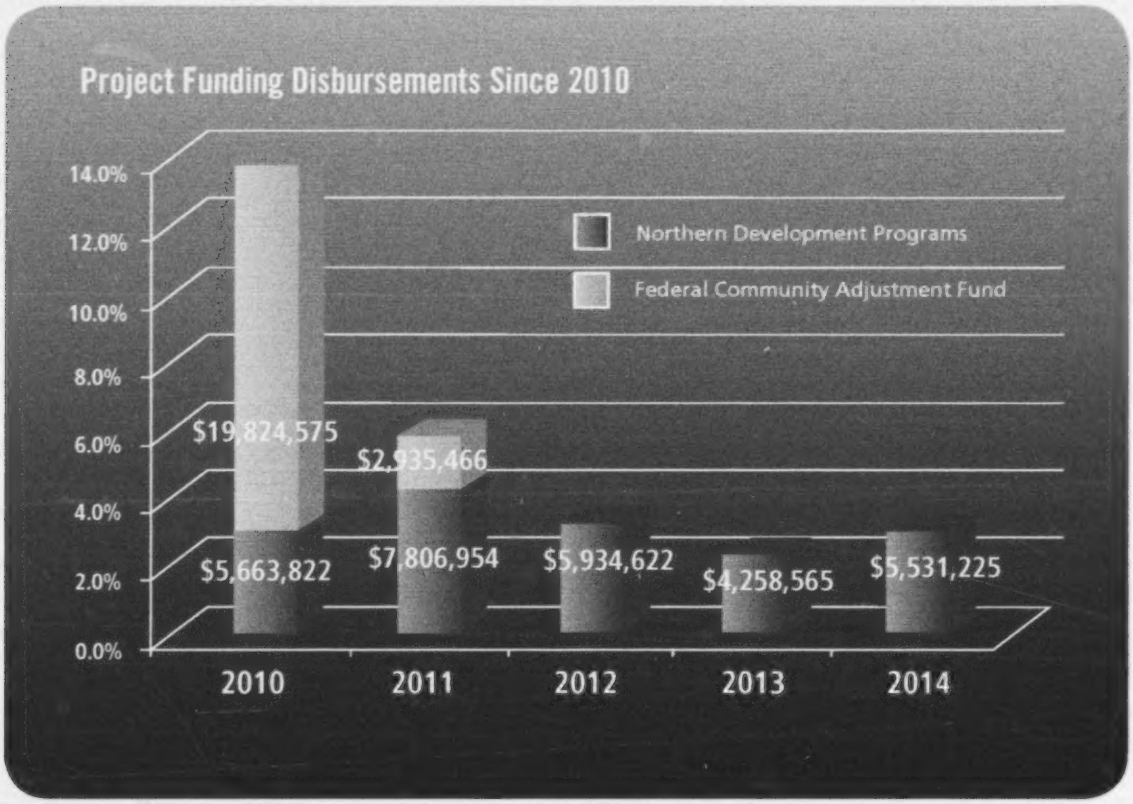
Funding Approvals

Funding approvals, like application intake, also indicates relevance for stakeholders and relates to capacity building, business development and community development funding program delivery. Funding approvals totalled $10.4 million in 2014 compared with $5.5 million in 2013.



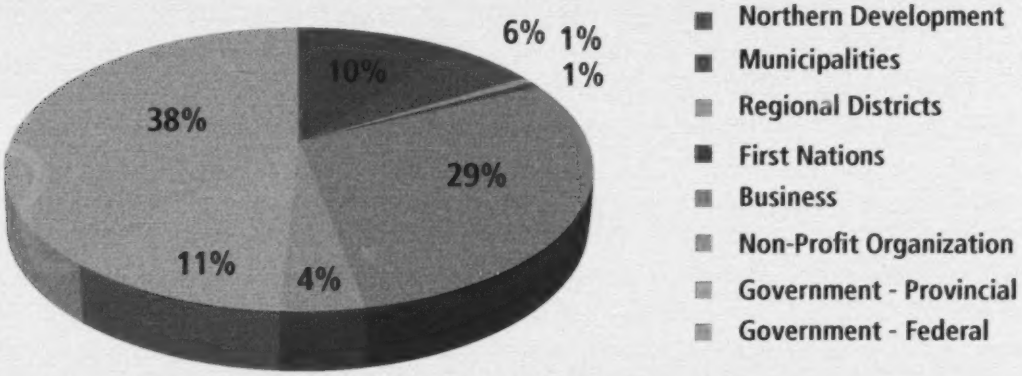
Disbursements

Project disbursements necessarily follow project approvals and the higher the level of disbursements, the more money Northern Development is investing in the region.



Other Funding Sources

Other funding sources is an indication of where leveraged dollars are coming from, supporting Northern Development's primary goal of bringing between $1 billion and $2 billion to the region by 2020.



HSBC

Economic Diversification Infrastructure program

Northern Development's Economic Diversification Infrastructure program provides up to $250,000 in funding for municipalities, regional districts, First Nations and non-profit organizations in Northern Development's service area for projects that significantly strengthen the local economy via a major capital investment. The program specifically targets funding for public multi-use facilities or capital investments that drive revenue and job creation and provide a long-term asset for the community.

Municipalities, regional districts, First Nations bands and registered non-profit organizations are eligible to apply to the program via Northern Development's four regional development accounts.

the maximum grant available under the Economic Divesification Infrastructure program

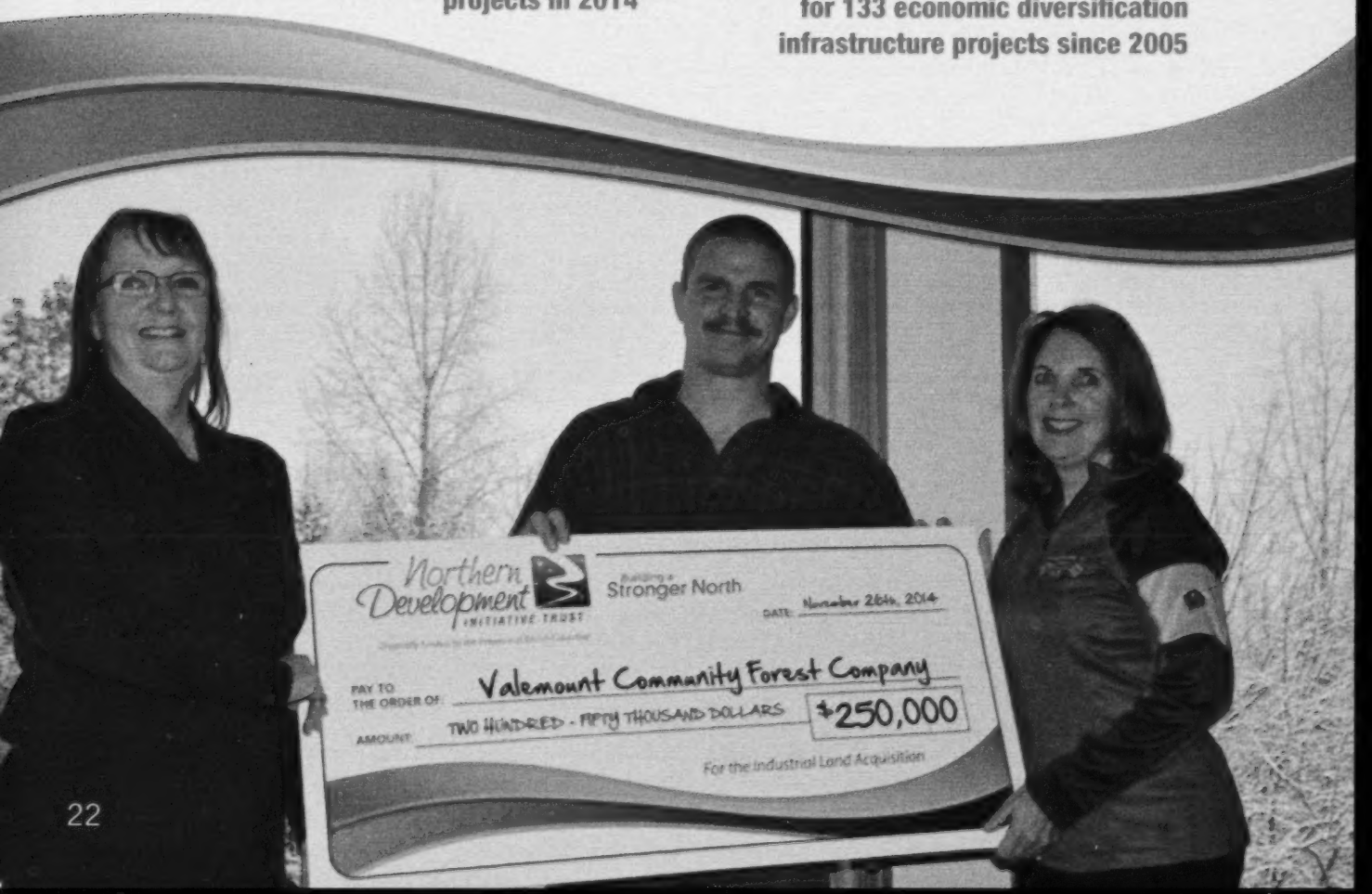
$250,000

$3.8 million

the amount of funding approved for 19 economic diversification infrastructure projects in 2014

$50.5 million

the amount of funding approved for 133 economic diversification infrastructure projects since 2005


Northern Development
INITIATIVE TRUST
Stronger North
DATE: November 26th, 2014
PAY TO THE ORDER OF: Valemount Community Forest Company
AMOUNT: TWO HUNDRED - FIFTY THOUSAND DOLLARS
$250,000
For the Industrial Land Acquisition

Success story

Community forest grant will help spur economic activity in the Robson Valley

In November 2014, the Valemount Community Forest signed a significant land purchase deal that will help to expand the forestry industry in the Robson Valley.

With the help of Northern Development, Columbia Basin Trust and others, the Valemount Community Forest Company purchased 240 acres of land at the former Carrier Sawmill site where it plans to build an industrial park and log sort yard.

The deal means that smaller mill operators in the Robson Valley will be able to co-locate at the industrial park, which will minimize their costs and maximize their access to the fibre they need to manufacture wood products.

Under co-location, the small mills are able to acquire only the fibre they want in the species profile that meets their customer's needs.

Northern Development approved a $250,000 grant through its Economic Diversification Infrastructure program to support the land purchase. Columbia Basin Trust has approved a further $200,000 grant to support the deal.

Without funding from the Trust, the community forest would not have been able to secure additional funding and the financing it need to purchase the land required to build an industrial park.

Northern Development's Economic Diversification Infrastructure program has previously provided funding to support major infrastructure upgrades at airports, arenas, marinas and elsewhere throughout central and northern B.C.

"This is a significant step for Valemount. Having this kind of shared space will allow smaller mill operators to reduce costs. I will continue to work with the Valemount Community Forest to find additional ways to expand opportunities and grow the economy in the region."

– The Honourable Shirley Bond, Minister Jobs, Tourism and Skills Training and Minister Responsible for Labour and MLA for Prince George – Valemount

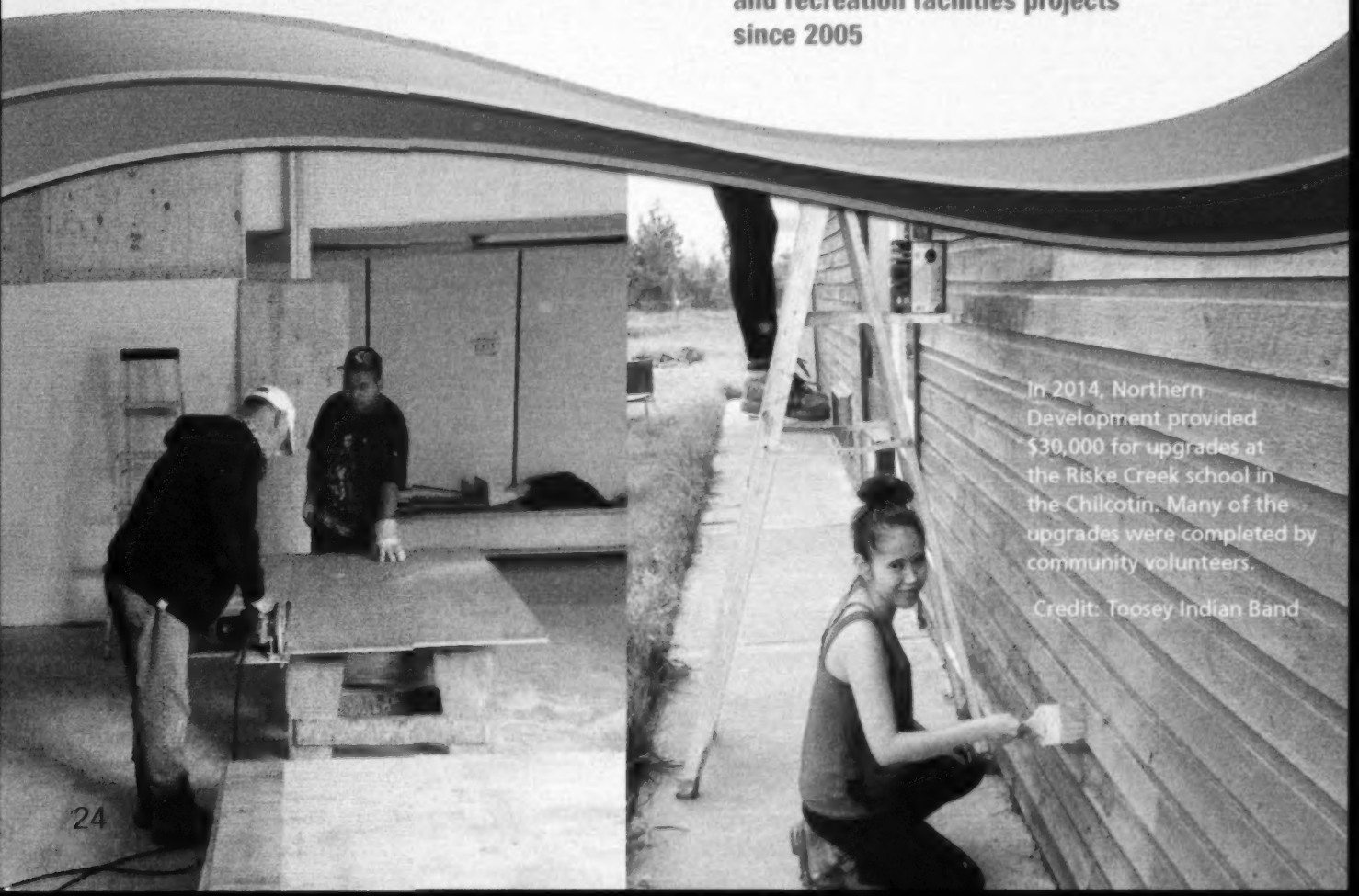
Community Halls and Recreation Facilities program

Northern Development's Community Halls and Recreation Facilities program provides municipalities, regional districts, First Nations bands and registered non-profit organizations with up to 50% of a project's budget to a maximum of $30,000 in funding to improve or expand existing facilities in order to increase the number of events held annually in the community, contributing to service sector revenues in the local economy.

$30,000 the maximum grant available under the Community Halls and Recreation Facilities program

the total amount of funding approved for 43 community halls and recreation facilities projects in 2014 **$955,533**

$6.8 million the total amount of funding approved for 181 community halls and recreation facilities projects since 2005



In 2014, Northern Development provided $30,000 for upgrades at the Riske Creek school in the Chilcotin. Many of the upgrades were completed by community volunteers.

Credit: Toosey Indian Band

Success story

$30,000 grant for Riske Creek school redevelopment supports economic activity for Toosey Indian Band

In September 2014, Northern Development approved a $30,000 grant to support the Toosey Indian Band's initiative to create the 'Riske Creek School Redevelopment for Trades, Skills and Recreation'.

Their project proposed revitalizing the old Riske Creek Elementary School that was previously taken over from the school district. The school had been closed for a number of years and vandalism had played a factor in the need to repair and clean up the facility. The Toosey Indian Band's goal was to turn the school into a multi-use facility that doubles as a community hall as well as a trades training, recreation and skills training centre. The proposed project included a series of restoration endeavors including roof restoration, window, wood heater and water pump installations, as well as a B.C. Hydro hookup for the building.

Since renovations kicked off in April 2014, there has been an overwhelming sense of community pride at the old Riske Creek Elementary School.

Not only have six former Tl'esqox Students returned to the school to help restore the facility, but they have also established a Facebook page to highlight the project renovations.

The 'Riske Creek School Redevelopment for Trades, Skills and Recreation project' was intended to introduce and involve the younger generation, who have little to no experience, with the opportunities to gain experience to enter the workforce. Many individuals have previously approached the Band to get involved in the community, and this project provided them an opportunity to do so.

Since the school also doubles as a community hall for the Band, it provides them the ability to host a variety of events including: sporting events, weddings, meetings, school events and even business forums. Revenue will also be generated through the rental of the facility with the influx of these community events.

"I am very pleased at how well the youth working at the school have done. It is a huge achievement to take a building of that size and fix and repair it. All of the organizations who have helped out with funding and support have shown a great interest in the project and we have people stopping in very frequently now telling us how amazing the facility looks"

– Craig Kennedy, Project Manager of Riske Creek School.

Capital Investment Analysis
(formerly Feasibility Studies) program

In 2014, Northern Development recalibrated its Feasibility Studies program to become the Capital Investment Analysis program. The change was designed to clarify the type of projects the Trust would provide funding for. The Capital Investment Analysis program (formerly Feasibility Studies program) provides grant funding to local governments, First Nations bands and registered non-profits to help cover the cost of an advanced business case study that leads to a final investment decision for a major capital infrastructure project.

$10,000 **the maximum grant available under the Capital Investment Analysis program**

the total amount of funding approved for 8 capital investment analysis projects in 2014 **$69,204**

the total amount of funding approved for 63 capital investment analysis / feasibility studies projects since inception

$1.6 million

Success story

Capital Investment Analysis grant helps Port Edward make the case for an industrial bypass road

In 2014, Northern Development approved a $10,000 grant to help fund a capital investment analysis for an industrial bypass road in Port Edward. The community, which is home to approximately 500 residents, is on the precipice of major industrial developments that include an LNG export terminal on nearby Lelu Island.

The development of the terminal will result in a significant increase in heavy industrial traffic through the community, impacting existing infrastructure and potentially causing concern for residents.

The Wampler Way Investment Analysis outlined a preliminary design and construction estimated for a 2.5 kilometre bypass road around Port Edward. Wampler Way is planned to direct heavy industrial traffic away from Port Edward's residential core and allow a safe connection to the planned Pacific Northwest LNG project site on Lelu Island.

Northern Development's grant funding helped pay for the capital investment analysis, which in turn proved the project was viable.

> *"Northern Development contributed money toward what we're calling Wampler Way, and it is a road around the community that will take the traffic from Skeena Drive onto this road. This is important because if the liquefied gas terminal is built there would be too much traffic on the street, so the way around that is to build a bypass road"*
>
> – Port Edward Mayor Dave MacDonald.

Community Foundation Matching Grants program

Northern Development's Community Foundation Matching Grants program provides all municipalities or regional district electoral areas with up to $50,000 from a regional development account in matched funding to assist with establishment of a dedicated endowment within a registered community foundation over a two-year period.

In 2014, Northern Development approved $234,575 in grants to help establish six community foundations throughout the region.

The goal of the program is to assist all municipalities and regional district electoral areas in the Northern Development region in building an endowment fund that supports local social, cultural and environmental needs via local decision making.

In 2014, the Trust approved three $50,000 matching grants to help establish the South Cariboo Community Enhancement Foundation.

The foundation was set up to serve the District of 100 Mile House and Cariboo Regional District Electoral Areas G (Lac La Hache/108 Mile), H (Canim Lake/Forest Grove) and L (Lone Butte/Interlakes).

The foundation was set up to create a locally-managed endowment fund that would provide grant support to local community groups, in this case eligible non-profits in the South Cariboo.

Northern Development also provided funding for community foundations in Fraser Lake, Fort St. James and 70 Mile in 2014.

Since inception, the Trust has approved $1.48 million in matching grants for 35 community foundation endowments throughout central and northern B.C.

$50,000 **the maximum grant available under the Community Foundation Matching Grants Program**

the total amount of funding approved for 6 community foundation projects in 2014 **$234,575**

$1.5 million **the total amount of funding approved for 35 community foundation projects since inception**

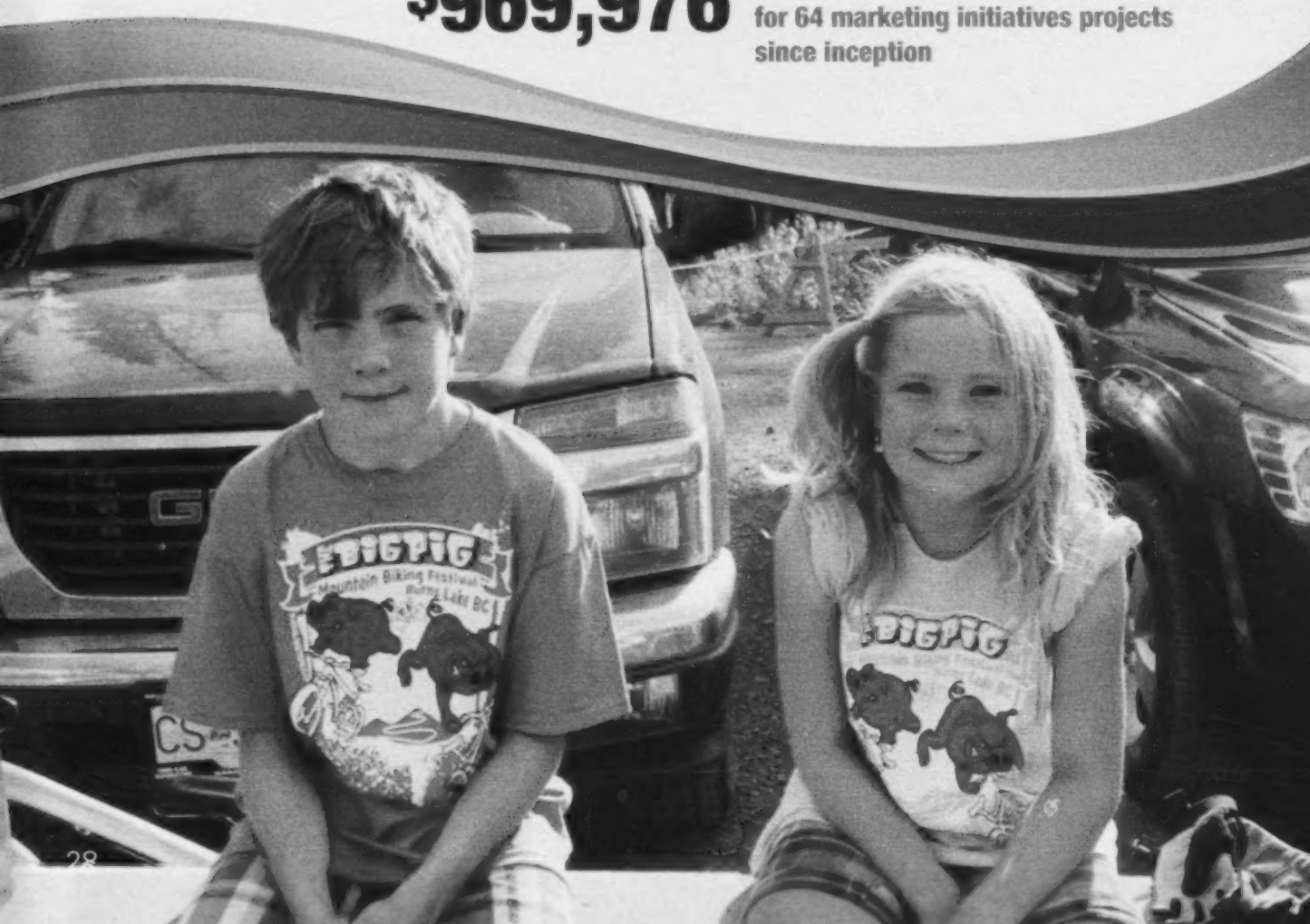
Marketing Initiatives program

Northern Development's Marketing Initiatives program provides up to $20,000 in grant funding for municipalities, regional districts, First Nations bands, and registered non-profit organizations via Northern Development's five principal trust accounts: the Regional Development accounts (Cariboo-Chilcotin/Lillooet, Northeast, Northwest, and Prince George), and the Pine Beetle Recovery Account to undertake a marketing initiative project. Projects must be focused on development and implementation of a marketing initiative that will directly increase revenues within the region.

$20,000 the maximum grant available under the Marketing Initiatives program

$447,697 the total amount of funding approved for 23 marketing initiatives projects in 2014

$969,976 the total amount of funding approved for 64 marketing initiatives projects since inception



Northern Development provided a $20,000 grant in 2012 to help market the Big Pig festival.

Credit: Big Pig Mountain Bike Festival

Success story

Pigs are flying in Burns Lake as annual bike festival soars

Burns Lake's Big Pig mountain bike festival is quickly becoming the premier summer event for gear-heads across northern B.C. – in part thanks to Northern Development's support.

Now in its seventh year, the Big Pig takes full advantage of the extensive mountain biking trails in Burns Lake that offer fun for beginners and thrills for veteran trail thrashers alike. In 2012, Northern Development helped promote the festival with a $20,000 grant from its Marketing Initiatives program.

The funding was used to pay for posters, brochures and trail maps that promoted the event. The Big Pig's organizers also used it to buy new timing equipment, portable tents and developed high quality video footage to promote the festival. The funding also helped get bigger prizes for riders and helped book high profile talent for the Big Pig Gig, a concert held at the same time as the mountain bike festival.

The project has helped to increase tourism in Burns Lake and the Lakes District, and has boosted media attention focused on the event, creating new opportunities to promote the community and mountain biking in the area. The Big Pig is now large enough that it results in a significant impact on the local economy, including increased hotel bookings, and campground, service, supply and restaurant use.

Guy Epkins-Shaffer, president of the Burns Lake Mountain Biking Association tells us,

"Every year the Big Pig gets bigger and better, helping promote the world class trails that put Burns Lake on the map as a mountain biking destination."

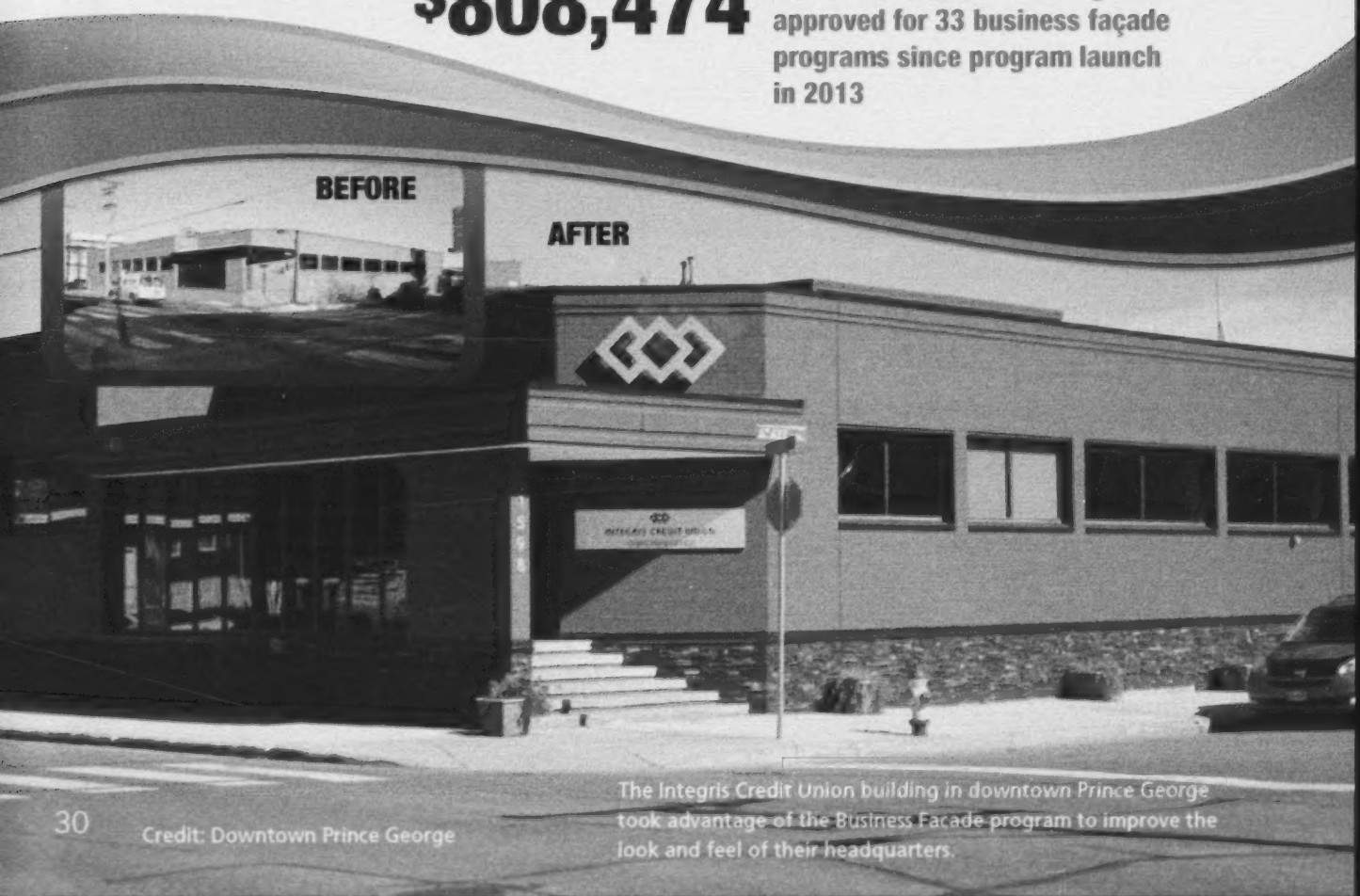
Business Façade Improvement program

Northern Development's Business Façade Improvement program provides annual grant funding for municipalities and regional districts located within the Northeast, Northwest, Prince George, and Cariboo-Chilcotin/Lillooet regions that participate in the combined regional development accounts. Annual funding of $20,000 is available to each municipality and regional district to enhance economic development by encouraging private sector investment in businesses façade improvements. Municipalities and regional districts applying to the program are required to develop and submit their business façade improvement plan/guidelines, which will give direction to local business owners on the eligibility criteria to obtain the business façade improvement grant.

$20,000 **the maximum grant availability under the Business Façade Improvement program**

the total amount of funding approved for 25 business façade programs in 2014 **$723,778**

$808,474 **the total amount of funding approved for 33 business façade programs since program launch in 2013**



The Integris Credit Union building in downtown Prince George took advantage of the Business Facade program to improve the look and feel of their headquarters.

Credit: Downtown Prince George

Success story

Enhanced Business Façade Improvement program revitalizes downtown Prince George

Downtown Prince George received a significant development boost in the fall of 2014 thanks in part to $250,000 in grant funding from Northern Development Initiative Trust. The funding was approved at the Trust's July 2014 board of directors meeting, and was used to fund the Downtown Prince George 2014 Placemaking Enhancement Initiative, which was an extension of the Trust's existing and successful Business Façade Improvement program.

Downtown Prince George (the Downtown Business Improvement Association) received the funding to lead the initiative. The project was well timed to help prepare the downtown area to welcome thousands of new visitors to Prince George in 2015 for the Canada Winter Games, 100th anniversary of the city, 25th anniversary of the University of Northern British Columbia, the BC Chamber of Commerce AGM, the North Central Local Government Association AGM and Conference and the 10th anniversary of the Trust, among other events.

The Placemaking Enhancement Initiative includes an enhanced façade improvement grant program, the installation of branded welcome signage and public art. These elements were developed in collaboration with other City of Prince George and downtown Prince George initiatives including wayfinding signage and landscaping.

The collaboration is designed to leverage upcoming 2015 events for the long-term benefit of downtown including attracting new business to the area. The initiative is an enhanced version of the Trust's existing Business Façade Improvement program, which provides a rebate to downtown businesses to improve their storefronts in communities throughout the region.

The additional funding is designed to execute a uniform vision for downtown Prince George to maximize the city's 2015 opportunities and also serve as model for a similar enhanced program in other communities throughout the region. At launch, 10 businesses had already signed letters of intent to apply to the enhanced façade improvement program.

"We are delighted with the innovative work being done by Downtown Prince George and the investment being made by many property owners to stimulate a vibrant and attractive downtown core, which is an important draw for residents and investors."

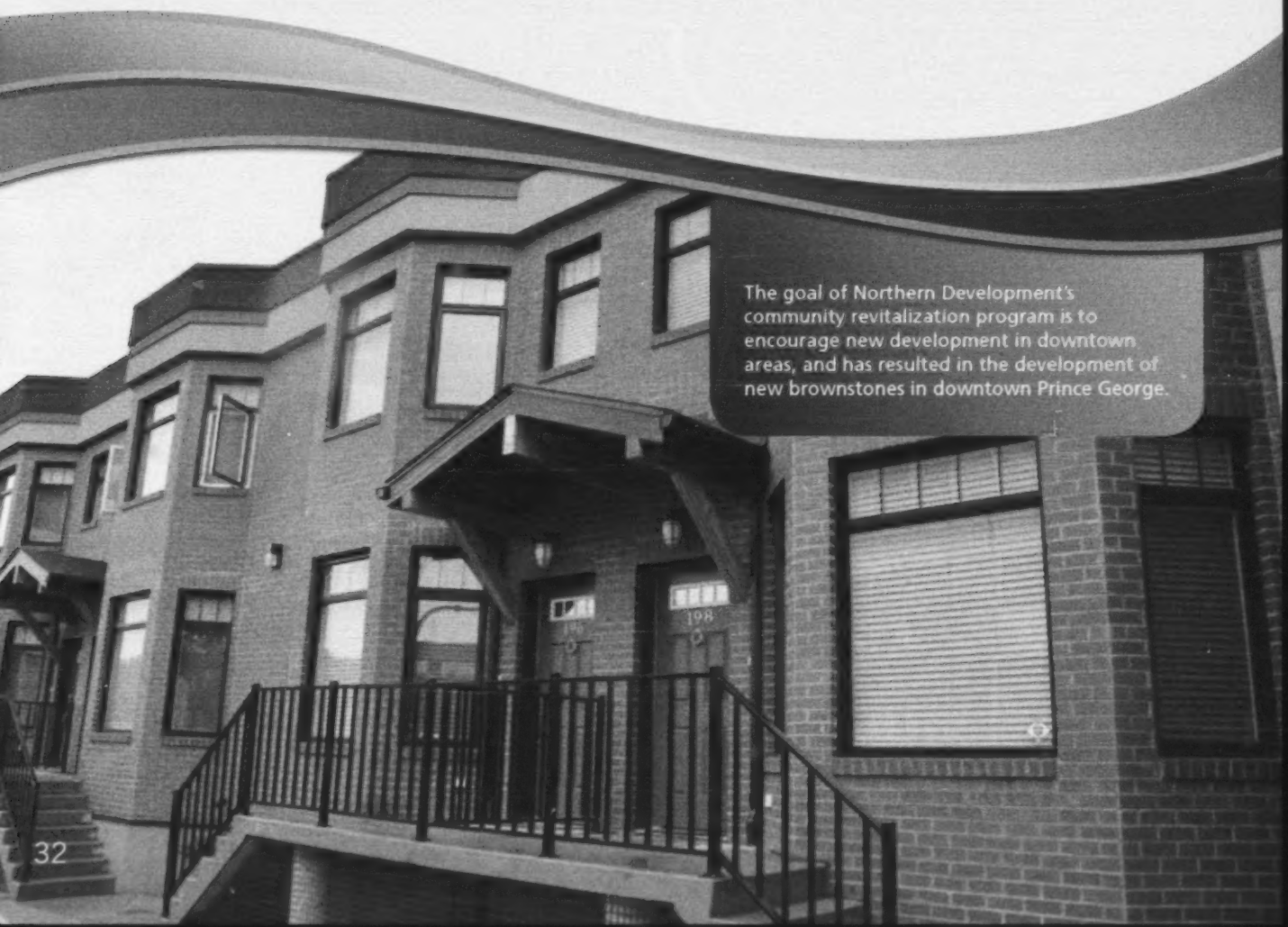
Heather Oland, CEO of Initiatives Prince George.

Community Revitalization program

Northern Development's Community Revitalization program is an aggressive incentive program that is a partnership between communities and Northern Development that encourages new development and redevelopment in central and northern B.C. This innovative program provides an immediate financial incentive for developers that is significantly more attractive than any revitalization tax exemption program currently available in the region.

The goal of the Community Revitalization program is to encourage developers to invest in downtown or community renewal projects that include: new market and non-market housing, commercial and mixed use development, green development, and façade improvements. The municipality has the ability to develop a revitalization tax exemption bylaw that addresses its unique vision for attracting investment and increasing the tax base of the community.

In communities where the municipality has partnered with Northern Development on this program, developers can choose to access a "revitalization tax exemption early benefit", which is a lump sum payment aligned with the equivalent municipal tax exemption a developer would receive over the term of a standard revitalization tax exemption agreement. By accessing the early benefit, the developer's annual tax payments going forward during the life of the equivalent tax exemption period are returned to the municipality's regional development account.



The goal of Northern Development's community revitalization program is to encourage new development in downtown areas, and has resulted in the development of new brownstones in downtown Prince George.

The Community Revitalization program has generated significant new investment in downtown Prince George, including a townhome development and facade improvements to the Scotiabank building.

Success story

Downtown Prince George revitalization underway

In 2011, Northern Development and the City of Prince George committed to recharging the downtown with a $6 million community revitalization program. The goal of the project was to provide developers with real incentives to invest in the area, encouraging more private sector development in the downtown.

The program provided developers a choice of lump sum or deferred tax incentive to offset their cost of construction, which meant developers could use the deferred tax benefit as a loan to help pay for the project up front or delay tax payments up to 10 years. The program also offered $10,000 for every new housing unit within the downtown zone, giving people the opportunity to the downtown lifestyle.

The program has already led to new townhome developments and major façade improvements in the downtown.

The District of Logan Lake was also approved for the Community Revitalization program in 2012, though it has yet to see investment in the community that has taken advantage of the program.

"It helped our project to move forward as we could use the tax incentive money as equity with our financial institution ... this incentive also allowed us to upgrade the look of the buildings inside and out and still offer the units at a favourable price."

Gordon Bliss, president of InVestgo Ventures Ltd., which built townhouses in the downtown.

Capacity Building Section 4

Program Delivery

Northern Development provides a number of capacity building programs and services. The programs – Economic Development Capacity Building, Grant Writing Support – generate capacity in the form of funding communities can use to bolster their own initiatives. The Trust's capacity building services, meanwhile, are offered via internship and communications programs available to local governments and First Nations. Performance indicators similar to the Trust's core funding programs are also used to measure the success and effectiveness of the organization's Capacity Building programs and services.

Economic Development Capacity Building program

Northern Development's Economic Development Capacity Building program provides up to a $50,000 rebate annually to local governments in Northern Development's service region. At least $5,000 of the annual funding must be used to fund collaborative economic development projects with another local government, First Nations band, tourism or industry association. Prior to 2014, this program only provided $35,000 in annually funding to local governments. The increase in annual program funding last year was a direct result of the Trust's average annual return on investment, which has helped expand the organization's capital base enough to sustain an increase in the annual grant ceiling. The Economic Development Capacity Building program is important because it provides an annual, reliable source of discretionary funding for local governments that otherwise don't have the budget available to support local economic development priorities. In many cases, the funding is used to offset a portion of a local government's annual cost to employ a full-time economic development officer.

"For a community like Burns Lake you look for an opportunity to provide economic development support, so that capacity building funding allowed us to reach out to the business community and expand our opportunities here"

– Mayor Luke Strimbold, Village of Burns Lake

$50,000
the maximum grant available annually under the Economic Development Capacity Building program

the total amount of funding approved under the Economic Development Capacity Building program in 2014
$2.68 million

$11.24 million
the total amount of funding approved under the Economic Development Capacity Building program since inception

Grant Writing Support program

Northern Development's Grant Writing Support program provides up to $8,000 in rebate funding each year to support the employment of a locally based grant writer. The funding is provided to local governments and First Nations bands in the Trust's service region.

Eligible grant writers must prepare funding applications to agencies, foundations and government programs, and must be under the direct supervision of a community or band government manager. The Trust provides more than $400,000 in annual rebate funding to support grant writing positions across central and northern B.C. each year. Prior to 2014, this program only provided $7,500 in annually funding to local governments. The increase in annual program funding last year was a direct result of the Trust's average annual return on investment, which has helped expand the organization's capital base enough to sustain an increase in the annual grant ceiling.

$8,000 **the maximum grant available annually under the Grant Writing Support Program**

the total amount of funding approved for 56 grant writing positions in 2014 **$447,619**

$2.83 million

the total amount of funding approved for 387 grant writing positions since inception.

"Grant writers save communities a lot of money because it takes a lot of time and energy to write grants. Northern Development has provided the funding to make this program work"

Andy Ackerman, Myria Consulting and Northeast Region supported community grant writer

Governance Essentials Scholarship

The Governance Essentials Program for Directors of Not-For Profit Organizations provides need-based Northern Development initiative Trust scholarships valued at $1,000 each. These scholarships are available annually to support the participation of not-for-profit board members who would not be able to participate in the program due to financial considerations. The goal of the program is to provide financial assistance to help not-for-profit board members in the region gain the skills and expertise they need to more effectively run community organizations. In 2014, one scholarship was applied for and awarded.

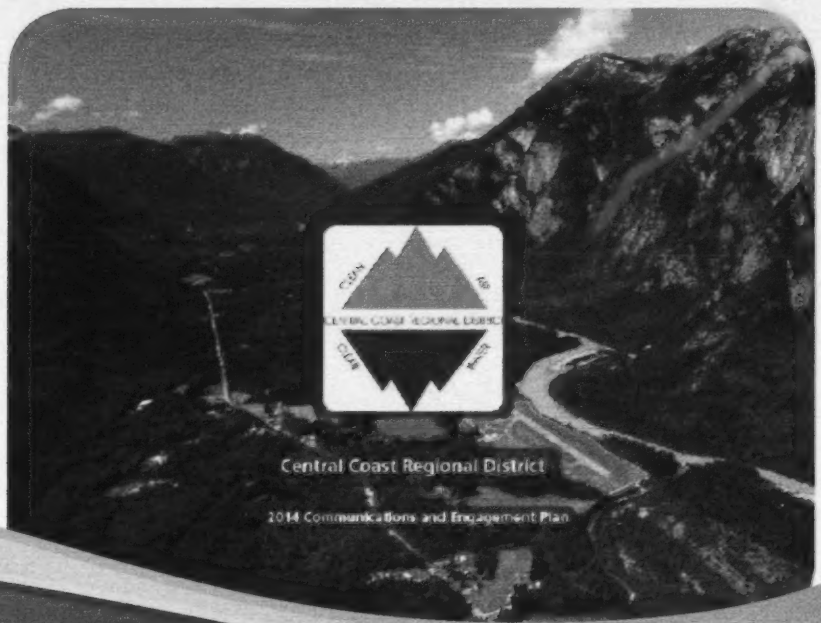
Communications Services

Northern Development provides a range of strategic communications support services to local governments, First Nations and non-profits throughout the region. The services are designed to help communities and organizations improve communication and engagement with their key audiences. The Trust's regional communications support services continued to provide value throughout the region in 2014. Northern Development provided 16 communications workshops, 10 communications plans and assisted with communications support on 30 separate initiatives throughout the year. The Trust's Director, Communications also acted as Master of Ceremonies for the North Central Local Government Association annual conference and AGM in Fort St. John in May, and has been asked to play the same role at the 2015 conference in Prince George.

2014 also marked the first time the Trust provided communications support to a regional non-profit organization. The result was a communications plan for GwaiiTel, a non-profit that combines the purchasing power of seven communities to source Internet service for residents on Haida Gwaii. The Trust also provided communications support to First Nations in 2014. Building on the success of the Central Coast Regional District's 2014 communications plan, which the Trust provided, the Heiltsuk Tribal Council asked the Trust to work with them to formalize their communications processes and policies. That work will continue in 2015.

Overall, the Trust's regional communications services continue to be highly utilized and provide value to communities throughout the region.

"As a small rapidly growing city, having access to skills for communications support for difficult issues is invaluable. Given the timelines and facts of our situation, Northern Development staff was able to develop a press release, FAQs and speaking points for a specific public issue. This turned what could have been a very contentious issue into a good news story for the city" – Mayor Lori Ackerman, City of Fort St. John



Internships

Northern Development internship programs are offered to the best and brightest recent university graduates from the region each year.

Beginning in 2009, the Trust offered an Economic Development internship program to prepare recent university graduates for rewarding careers in economic development. The program is designed to provide a unique, immersed curriculum of training and experience that will provide an operational portfolio demonstrating economic development competency and references. The program promises to provide a high level of professional development and training that will prepare post-secondary graduates with the knowledge and experience they need to take the next step in a fulfilling and satisfying career, and the contacts within local government to help land a permanent position.

In 2014, Northern Development hired four economic development interns. To date, the Trust has hired more than 20 economic development interns, the vast majority of which have found employment during or immediately after their internship.

Local governments in the north face unique challenges of recruitment and retention. In response to this need, the Northern Development Initiative Trust, in partnership with the University of Northern British Columbia and the Local Government Management Association established the Northern Development Local Government Management Internship Program in 2013 and continued it with six interns in 2014.

The management internship program recognizes and builds on the education, training and career opportunities that exist in central and northern British Columbia communities. The program prepares young people for an exciting career in local government, while supporting capacity building and succession preparation for retiring senior staff in smaller, rural northern local governments.

The internship program provides funding for central and northern local governments to host and mentor an intern for a 12-month period with the internships starting in May of each year.

One of the goals of the internship program is to provide insight into the wide range of rewarding careers available within local government. Careers include opportunities in management and administration, corporate services, planning and development services, environmental services, finance, human resource, public works and economic development to name just a few. In 2014, Northern Development hired six local government interns who were placed in Central Coast Regional District, Hudson's Hope, Valemount, Quesnel, Taylor and Ashcroft.

Building on the success of its existing internship programs, the Trust partnered with the Province of B.C. in 2014 to launch a planning internship program. The goal of the program was to provide additional planning capacity to local governments in the northwest faced with major industrial projects. Interns were hired and placed with the Skeena-Queen Charlotte Regional District, Regional District of Kitimat Stikine, City of Terrace and at Northern Development's offices in Prince George. Throughout the year, the interns worked with municipalities and regional districts to update Official Community Plans, bylaws and provide assistance with zoning changes.

> ***"It was a great jump start for me heading off into my career. The most important thing is the transition it provides from being a student into the professional realm"***
>
> **Dana Hawkins, past economic development intern and current planning employee with the City of Prince George**

Business Development Section 5

Program Delivery

Northern Development acts as a catalyst to stimulate business development throughout central and northern B.C., creating wealth through employment and thereby contributing to building a stronger north. Northern Development provides direct support to manufacturers, innovators, processors and their suppliers to grow their businesses, implement world-class business practices and become more competitive in the global market.

Northern Development currently has three established programs aimed at supporting business in an effort to build a stronger north:

The Competitiveness Consulting Rebate Program

The Competitiveness Consulting Rebate program provides a rebate to small and medium sized companies engaged in manufacturing, innovative technologies, resource processing, transportation, distribution and their first line suppliers for outsourced consulting services.

A rebate of up to 50% to a yearly maximum of $30,000 can be recovered for the cost of external business consulting projects. Projects must focus on increased productivity, new or incremental revenues, profitability and/or job creation. Eligible companies must be privately owned and have headquarters within the Northern Development Initiative Trust region.

$30,000

the maximum yearly grant available through the Competitiveness Consulting Rebate Program

$2.07 million

the total amount of funding approved under the Competitive Consulting Rebate program since inception

The program allows companies to use a preferred consultant or obtain assistance to identify and select a qualified consultant with a verified track record of competitiveness consulting expertise. Applications are received and approved on a continuous basis throughout the year.

The funding levels the playing field between northern companies and the Lower Mainland in terms of the cost of accessing top flight consulting expertise that will strengthen business revenue and job growth.

$518,517

the total amount of funding approved under the Competitiveness Consulting Rebate program in 2014 for 67 rebates

the total consulting value leveraged in the region since the program launched since the program launched

$4.3 million

Prince George's Lithium One Imports, which specializes in granite countertop fabrication, accessed the Trust's consulting rebate in 2012.

Credit: Lithium One Imports

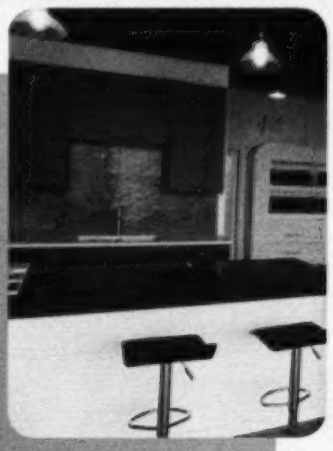
Success story

Lithium One cuts to the top of northern B.C.'s fabrication industry

In 2012, Lithium One Imports Ltd., a Prince George granite fabrication company, accessed Northern Development's Competitiveness Consulting Rebate program to help expand their operations. As part of the expansion, they purchased new equipment and moved their operation to a larger facility to accommodate their growth. The new equipment included a specialized bridge rail saw from India to fabricate granite into cabinet counter tops. The bridge saw helped the company increase productivity to fabricate up to 10 kitchen countertops per week instead the previous output of 1.5 per week.

The company used Northern Development's Competitiveness Consulting Rebate program to help fund the cost to hire a consultant to train their staff how to use the saw.

The use of the consultant also meant Lithium One staff were able to develop proper operating and safety procedures for their new equipment. Since then, Lithium One's customer base has grown dramatically and expanded their market share to include all of northern B.C.



Terry Thiara, Operations Manager of Lithium One Imports Ltd. tells us,

"The rebate that we received from Northern Development helped us tremendously. In our expansion we purchased specialized equipment, and went from hand producing everything to a fully automated process. With the Competitiveness Consulting Rebate we were able to access consulting services to learn proper techniques on how to operate the new equipment. We were able to bring in an expert to stay with us for a few months to help train our workers on granite fabrication including cutting and quality. Since then, our output has increase significantly, resulting in a five-time revenue increase over three fiscal years."

Northern Industry Expansion Program

In 2010, Northern Development launched the Northern Industry Expansion program. The program was established to target small to medium sized businesses in the north's resource processing, manufacturing, and supply sectors giving these northern businesses access to incremental capital. program provides small and medium sized manufacturers, resource processing companies and first-line suppliers with incremental capital in the form of supply chain financing or working capital to help expand their businesses to meet the demands of today's marketplace. The maximum guarantee is $1 million, or up to 25% of the loan amount. Northern Development's board set aside $15 million of the capital base of the Cross Regional Account for the guarantees.

Although Northern Development has been working diligently to expand the program and develop appropriate policies to work with all financial institutions, uptake has been relatively low with no new loan guarantees occurring since mid-2013. In 2014, the Chief Executive Officer met with a number of commercial vice presidents from financial institutions to determine how the program could be improved. She learned that the institutions are aggressively lending in the north and do not see a strong requirement to access the guarantees. As a result, the program is not being utilized to the full capacity initially envisioned. At the October 2014 board meeting, the Trust's board of directors agreed to cancel the program. Any existing guarantee agreements will be honoured if they meet the conditions of the program. As of December 31, 2014, the Trust was securing $1.8 million dollars in loan guarantees to 14 companies.

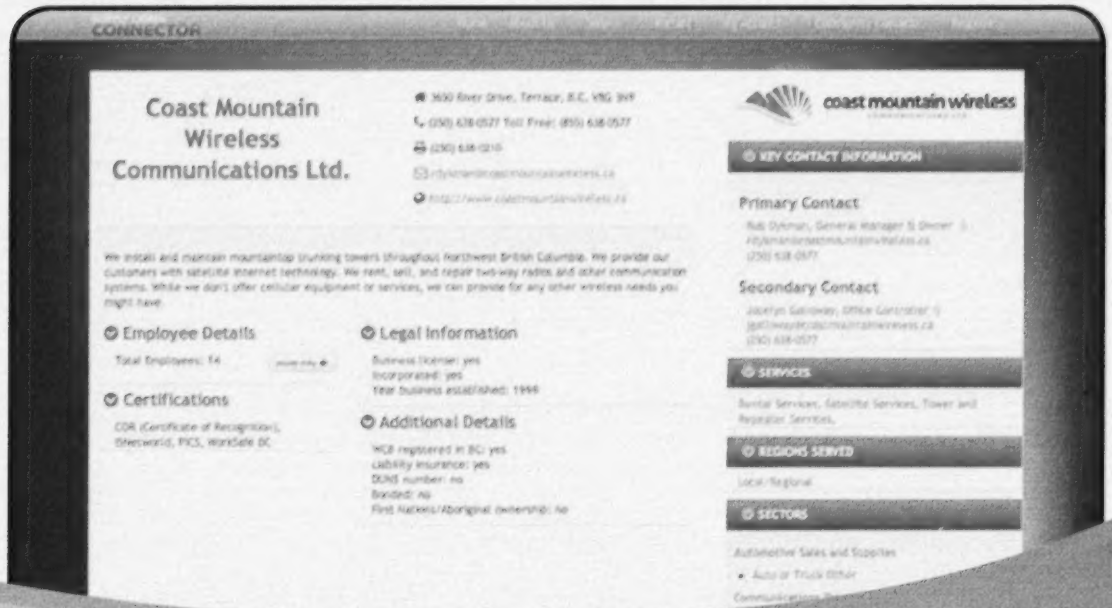
Supply Chain Connector

In 2013, Northern Development Initiative Trust, in partnership with communities throughout northern B.C., launched the Supply Chain Connector – an online procurement database that allows major industry, communities and government to quickly locate northern B.C.-based businesses to help them build major projects. There is no cost to business to participate in this website.

The database is the only one of its kind in the region. It initially launched with 1,100 business profiles. In 2014, Northern Development continued to work with industry and small and medium enterprises throughout the region, increasing the number of registered businesses to 2,100. The connector has meant that more businesses and communities across the north can reap the benefits of major projects, generating new jobs and income for the region.

The Supply Chain Connector was created in response to the wave of approximately $140 billion in major industrial projects proposed across central and northern B.C. In the past, major project proponents have awarded contracts to companies based outside of the region because they've struggled to locate northern B.C.-based businesses to carry out the work. The Supply Chain Connector adds capacity to the region to solve that problem, making it quick and easy for project proponents to locate the local expertise they need to build the mines, mills and hospitals of tomorrow, which sets northern B.C. apart from other regions across B.C.

The Supply Chain Connector builds on the previous success of northern B.C.'s regional investment portals (Invest Northwest BC, Invest North Central BC, Invest Northeast BC, Invest Cariboo-Chilcotin Coast BC, Invest Thompson Nicola BC), which have helped investors connect directly with communities about major development opportunities throughout the region.



Small Town Love

In 2014, 11 communities throughout central and northern British Columbia partnered with Northern Development to deliver a unique marketing tool to help their local, independent businesses thrive and attract new customers: Small Town Love.

The program is a partnership between Northern Development and entrepreneur Amy Quarry, who created and launched the original 'Small Town Love' shop-local initiative in the City of Quesnel several years ago. With more than 50 local Quesnel-based businesses working collaboratively under the "Small Town Love" marketing brand, Quarry's original program was extremely well received and highly successful. The program is anchored by a strongly branded website with the highest quality photography, which features many independently owned local businesses. While many economic development initiatives concentrate effort on business recruitment and development of new industries, the shop-local program is a locally driven retention program that focuses on enhancing the strength of existing businesses.

In 2013, the Trust partnered with Quarry to expand Small Town Love to other communities throughout central and northern B.C. The initial pilot program expansion saw the creation of web-marketing portals in the District of Logan Lake, the District of Fort St. James, the District of 100 Mile House, the District of Vanderhoof, the Village of Valemount and the Village of Burns Lake. Each of the six communities has a population of less than 5,000 residents.

In 2014, the program expanded to include the Village of Ashcroft, downtown Prince George, Fort Nelson (Northern Rockies Regional Municipality), the Village of Granisle, the Village of Fraser Lake, Haida Gwaii, the District of Houston, the Town of Smithers, the Village of Telkwa and the City of Williams Lake. By the end of 2014, Small Town Love had become the largest web-based shop-local program in North America, totaling nearly 1,000 independently-owned businesses – all of them owned and operated in central and northern British Columbia.

Northwest Readiness Initiatives

In 2014, Northern Development undertook a number of partnerships with the Province of British Columbia's Ministry of Community, Sport and Cultural Development and Ministry of Jobs, Tourism and Skills Training to prepare communities for the advent of major industrial investment in the Northwest region. The partnerships included LNG-Buy BC business readiness workshops, planning internships, community asset management and planning grants and a community industry liaison.

LNG-Buy BC

The Trust partnered with the Ministry of Jobs, Tourism and Skills Training to deliver LNG-Buy BC boot camps throughout the province, helping to ensure the more B.C.-based businesses are well positioned to land contracts with potential LNG projects.

The LNG-Buy BC program was created to connect LNG project proponents with B.C. companies large and small in every corner of British Columbia. The government of British Columbia is working to ensure the entire B.C. business community can participate fully in LNG and other major project opportunities.

Northern Development delivered 25 LNG-Buy BC boot camps in 2014 as a formal business support initiative. The boot camps are designed to provide local industrial contractors and suppliers with the information they need to help position their businesses to take advantage of and bid on contracts associated with major projects throughout central and northern B.C. The boot camps work to support the marketing opportunities created for local businesses registered in the Supply Chain Connector. Together, these two business support initiatives help ensure that fewer goods and services will be outsourced to companies based outside central and northern B.C. and more money will be spent in communities that the Trust serves. The boot camps were delivered in a number of communities, including: Kitimat, Kelowna, Vancouver, Prince Rupert, Fort Nelson, Terrace, Prince George, Kamloops and others.

Community Asset Management and Land-Use Planning Grants

Northern Development partnered with the Ministry of Community, Sport and Cultural Development in 2014 to administer up to $1 million in grants to help local governments in the northwest plan for economic growth associated with new industrial developments. The grants were divided into two programs to help local governments update their bylaws and official community plans, as well as review and asset local infrastructure needs to prepare for LNG developments and industrial expansion. The grants were available to the City of Terrace, City of Prince Rupert, District of Kitimat, District of Port Edward, Regional District of Kitimat-Stikine and the Skeena-Queen Charlotte Regional District.

Two grant programs, at up to $500,000 each, are set up to assist communities to develop plans for:
Asset Management Capacity Building – grants supported the review of infrastructure capacity (water, sewer, drainage, local roads) and assist communities in determining what additional services are needed for their specific growth needs.

Community Land-Use Planning grants assisted local governments to do the work required so that their land-use bylaws, policies and plans align with the needs for industrial expansion and maintain community health and quality of life for existing residents. This could include updating local official community plans or zoning bylaws, or conducting new studies for targeted areas like housing affordability.

Northern Development's role was to administer the program on behalf of the Ministry for up to two years, similar to its role administering the $30 million Community Adjustment Fund program on behalf of the Government of Canada in 2009. As of December 31, 2014, the Trust had disbursed $159,529 dollars in grants to eligible northwest communities through the asset management community planning program.

In 2014, the Trust partnered with the Ministry of Community, Sport and Cultural Development to provide additional capacity to northwest local governments faced with major industrial development proposals, specifically LNG export terminals. The partnership funded the creation of a two-year contract position focused on distilling complex environmental assessment reports into briefing notes for local governments in the region. In March 2014, Northern Development hired a Manager, Community and Industry Liaison who has since been tasked with empowering communities to constructively respond to, and interact with, major project proponents during the environmental and socio-economic assessment process. By providing neutrally administered technical and scientific expertise, the Manager, Community and Industry Liaison distills large volumes of proposed industrial development information and communicates this information with local governments as it may apply to them.

"Our government is committed to ensuring local communities realize all opportunities afforded by major industrial developments. Preparing for economic growth is a good challenge to have - and these grants will augment the existing tools available to communities to ensure they develop and update community plans to build vibrant, sustainable communities well into the future."

Minister of Community, Sport and Cultural Development Coralee Oakes

Demonstrating Best Practices
Section 6

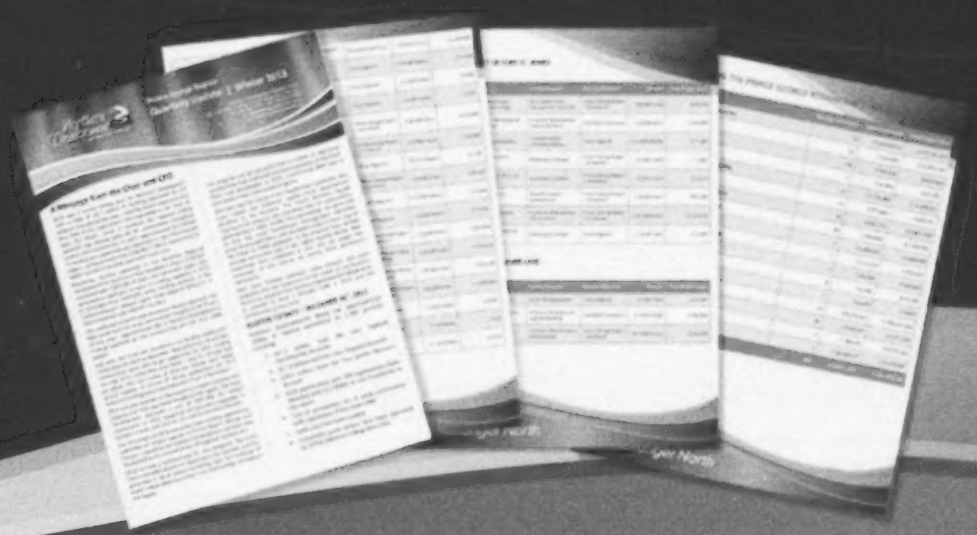
Northern Development's goal is to become the leader in regional economic development. The Trust's focus on demonstrating best practices in client services, financial management, fund management, reporting and governance steers the organization toward achieving its goals. 'Best practices' is a qualitative priority area, in which Northern Development seeks continuous improvement to enhance robust systems that promote efficiency. Best practices therefore mitigate risk while maximizing internal capacities. 2014 saw continued implementation of suggestions made by auditors and a five-year review committee, enterprise resource software improvements, updates to investment policy and enhanced reporting to stakeholders.

Client Satisfaction Surveys and Stakeholder Communication

Client satisfaction surveys are administered each year to solicit feedback on Northern Development programs and initiatives. 2014 surveys were provided to all projects that received a final payment or that were approved in 2014. The survey was, as with prior years, administered in the three broad categories: application intake, contracts and disbursements and overall experience. Northern Development received an overall approval rating of 99% in 2014, which was much higher than the annual target of 90%.

Public Accountability and Reporting

Quarterly reports are made available to local governments every three months. These reports provide regional account balances, all year to date project approvals, total to date program commitments by region and a summary of combined investments from all accounts to date. Stakeholder feedback will continue to provide direction for this type of reporting.



Robust Business Systems

Catalyst is an enterprise-level, custom developed Enterprise Resource Planning (ERP) for grants management software system that has been developed by Northern Development Initiative Trust since 2005 to enable Northern Development and other organizations to efficiently and accurately manage funding applications, due diligence, contributions and report to senior levels of government on outcomes.

Catalyst has been crucial in enabling Northern Development to meet exponential growth in program demand and funding outflow. The software system allows staff to responsively and responsibly manage a high volume of funding requests and disbursements with significant time available to focus on applicant coaching, community consultation and adding value to regional economic development.

In 2014, the Trust continued with the re-write of Catalyst to update the software system's program specific screens, data quality, reporting abilities, and architecture. These improvements will allow us to create informative dashboards and new reporting capabilities for all of the Trust's programs. This new database has been designed so that it can be used on mobile devices and be a web-based integrated system.

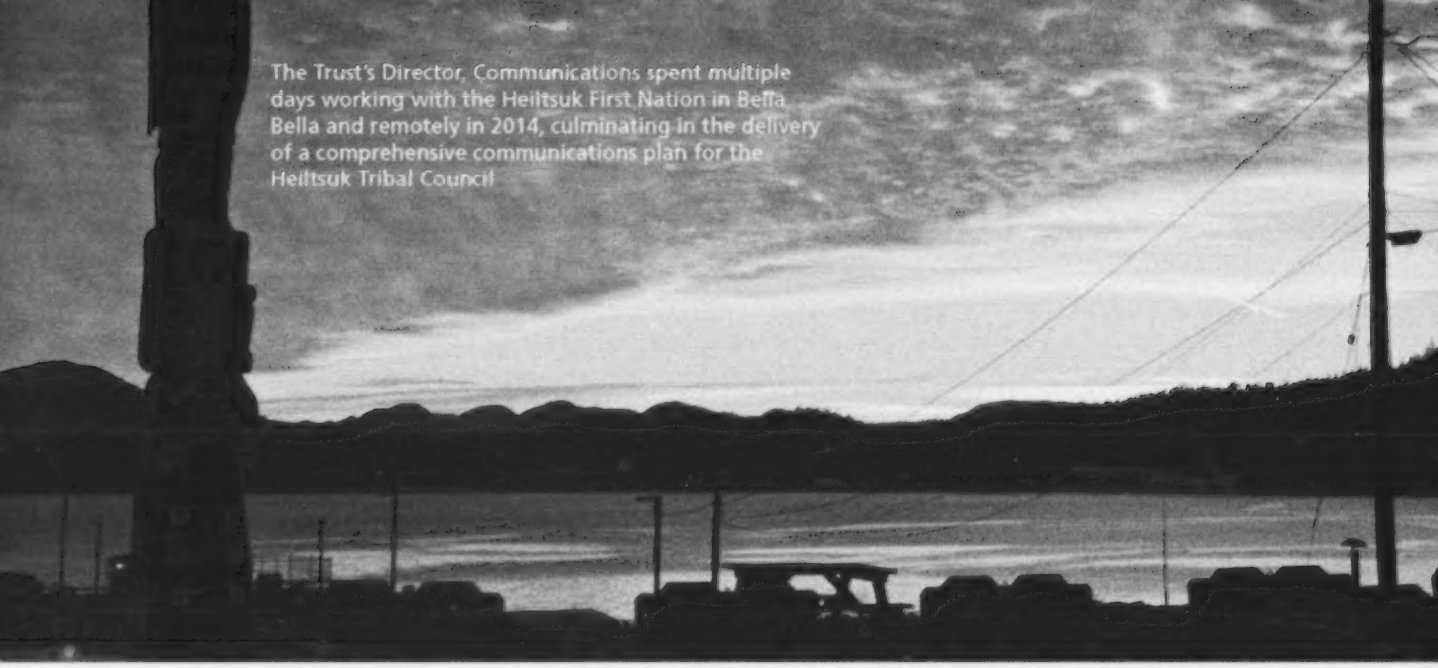
Strong Investment Governance

Northern Development continues to improve upon its investment model. During 2014 Northern Development made a shift to work with a single investment manager Mawer Investment Inc. Mawer reports quarterly to the board of directors. The most current Statement of Investment Policy and Procedures, governing market investments and guiding the investment managers, is available for download on Northern Development's website.

Continuous Improvement

Further continuous improvement initiatives conducted in 2014 included board governance education, updates to finance operations, improvements to human resources processes to promote a strong culture and healthy working environment, and filing system improvements ensuring compatibility with Freedom of Information legislation. Northern Development will continue to work with stakeholders to enhance products and services over all facets of the organization that contribute to building a stronger north.

Northern Development's commitment to continuous improvement and ongoing refinement of best practices mitigates risk through the improvement of robust systems that ensure accuracy, diligence and timely feedback from stakeholders. Northern Development's operating budget has been consistent within .77% to .89% of the capital base between 2010 and 2014. To read Northern Development's strategic plan and other reports online, please visit: http://www.northerndevelopment.bc.ca/about/success-to-date-and-reports/



The Trust's Director, Communications spent multiple days working with the Heiltsuk First Nation in Bella Bella and remotely in 2014, culminating in the delivery of a comprehensive communications plan for the Heiltsuk Tribal Council

First Nations Support

Northern Development continued to strengthen its relationships and support for First Nations communities throughout the region in 2014, providing $237,656 in grant funding to 21 projects. Those projects had a combined value of $539,884 for First Nations communities in 2014, and included the Riske Creek School Redevelopment project, the Lheidli T'enneh Aboriginal Pavilion for the 2015 Canada Winter Games and upgrades to the Soda Creek Indian Band's Whispering Willows Campsite. The $30,000 provided for the Lheidli T'enneh's Aboriginal Pavilion helped create a cultural focal point for the 2015 Canada Winter Games in Prince George in February 2015. The Pavilion hosted local artists and many live acts that attracted thousands of visitors during the two-week period of the Games, increasing exposure and creating new business opportunities for the Official Host First Nation.

The Trust also provided communications support to First Nations in 2014. Building on the success of the Central Coast Regional District's 2014 communications plan, which the Trust provided, the Heiltsuk Tribal Council asked the Trust to work with them to formalize their communications processes and policies. As a result, the Trust's Director, Communications spent multiple days working with the Heiltsuk First Nation in Bella Bella and remotely in 2014, culminating in the delivery of a comprehensive communications plan for the Heiltsuk Tribal Council.

The funding was also used to provide grant writing support to 18 First Nations throughout the region, including: Taku River Tlingit First Nation, Old Massett Village Council, Nlaka'pamux Nation, Sai'Kuz First Nation, Skidegate Band, Soda Creek Indian Band, Canim Lake Indian Band, Gitlaxt'aamiks Village Government, Toosey Indian Band, Williams Lake Indian Band, Xeni Gwet'in First Nations, Nuxalk Nation, Doig River First Nation, West Moberly First Nation, Halfway River First Nation, Prophet River First Nation, Ts'kw'aylaxw First Nation and the Ashcroft Indian Band. The $8,000 in funding that each community accessed allowed them to hire a locally based grant writer that provided each community with the capacity it needed to seek out additional funding opportunities and move important projects forward.

Since 2005, Northern Development has provided approximately $6.5 million in direct support to 195 First Nations projects throughout central and northern B.C. Those projects have resulted in an additional $29.6 million in investment in First Nations communities in the last decade.

2014 Fund Balances

The 2014 year end investment account balance of Northern Development accounts was $221.2 million. Loans and interest receivable totalled a further $18.7 million, meaning the total capital balance of Northern Development was $239.9 million.

Northern Development's Statement of Investment Policies and Procedures provides direction from the board to investment managers. This minimizes risk and instills accountability. The Statement of Investment Policies and Procedures provides performance criteria to investment managers as the primary evaluation tool; current performance standards are that equity investments exceed the relevant index by 1.0%, and fixed income investments match the relevant index. Indexes are generally accepted standards against which the performance of a security or investment management firm can be measured. Indexes are usually composed of market equities and bonds, and the indexes identified in Northern Development's Statement of Investment policies and Procedures are provided below:

Investment Type	Index
International Equities	**Morgan Stanley Capital Investment (MSCI) World Indexes**
Canadian Equities	**S&P / Toronto Stock Exchange (TSX) Capped Composite Index**
Fixed Income	**DEX Bond Fund Indexes**

On August 1, 2014 the Trust switched from using three investment managers (TD Asset Management, AGF, and Mawer Investment Management) to one investment manager. The Trust now works exclusively with Mawer Investment Management within a balanced portfolio. Moving to a balanced portfolio that is managed by one investment company has allowed flexibility to adjust the portfolio between fixed income, Canadian equities and global equities to maximize the Trust's returns. Mawer 's performance has ranked in the top 5th percentile of the Morneau Shepell independent review of 48 investment companies. Mawer has a consistent and dedicated method for investing, while over time creating a successful history of returns to their clients through a balanced portfolio structure.

Northern Development investment balances, by asset type and with performance to the relevant benchmark comparison, are as below:

	Investment Manager	Q4 Balance	**2014 Performance to Benchmark**
Cash Equivalents	Mawer Investments	$ 11,357,749	-0.03%
Canadian Bond Pooled	Mawer Investments	$ 67,610,579	-0.22%
Canadian Equity Pooled	Mawer Investments	$ 38,497,612	7.19%
Canadian Equities	Mawer Investments	$ 15,377,979	2.45%
Global Small Cap	Mawer Investments	$ 88,339,435	0.33%
Total		**$ 221,183,353**	
Regional Capital Investments (Loans)		**$ 18,689,955**	
Total		**$239,873,308**	

** Since inception with Mawer Aug 1, 2014

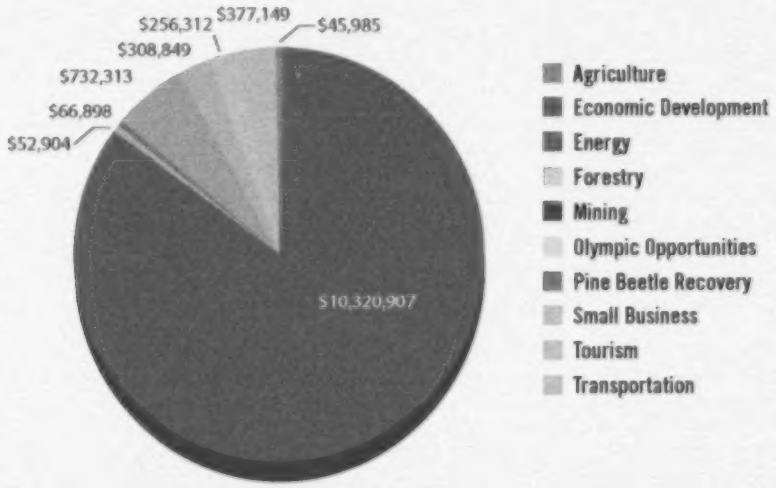
Northern Development's Statement of Investment Policies and Procedures also outlines what securities are eligible for investment, the asset mix between these securities, what constitutes conflict of interest and other guidelines and protocols. Investment managers are required to provide formal certification each quarter that investments remain within the mandate outlined in the Statement of Investment Policies and Procedures.

Northern Development works with a top tier performing investment manager to ensure returns to the region are maximized each year from a conservative balanced portfolio, and that the amount of funding available for projects remains at sustainable levels. The portfolio return in 2014 was 14% net of investment management fees.

Legislated Investment Areas

It was anticipated by the Northern Development Initiative Trust Act legislation that funds would be committed to specific investment mandates. These areas were outlined in the legislation to demonstrate that funding was for economic development activities across a variety of mandates.

The following pie chart shows Northern Development's investment in each of the legislated investment areas for 2014:



PictureBC

Financial Statement of

NORTHERN DEVELOPMENT INITIATIVE TRUST

Year ended December 31, 2014

KPMG LLP
Chartered Accountants
177 Victoria Street, Suite 400
Prince George BC V2L 5R8
Canada

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Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Northern Development Initiative Trust

We have audited the accompanying financial statements of Northern Development Initiative Trust, which comprise the statement of financial position as at December 31, 2014, the statement of operations and fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Development Initiative Trust as at December 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants

April 15, 2015

Prince George, Canada

Northern Development Initiative Trust

Statement of Financial Position

As at December 31, 2014, with comparative information for 2013

	Unrestricted	Endowment			
	Operating	Operating Endowment Account	Invested in Tangible Capital Assets	Cross Regional	Pine Beetle Recovery
ASSETS					
Current Assets					
Cash	$ 225,745	$ -	$ -	$ -	$ -
Miscellaneous receivables	68,589	-	-	-	-
Prepaid expenses	73,214	-	-	-	-
Current portion of loans receivable (Note 2)	-	-	-	449,167	1,200,000
Total Current Assets	367,548	-	-	449,167	1,200,000
Other Non-Current Assets					
Loans receivable (Note 2)	-	-	-	12,162,920	1,910,103
Investments (Note 3)	4,234,513	25,000,000	-	52,820,073	25,714,467
Tangible capital assets (Note 4)	-	-	131,827	-	-
TOTAL ASSETS	**$ 4,602,061**	**$ 25,000,000**	**$ 131,827**	**$ 65,432,160**	**$ 28,824,570**
LIABILITIES AND FUND BALANCES					
Current Liabilities					
Accounts payable and accrued liabilities (Note 5)	201,842	-	-	95,508	18,002
Current portion of loan repayable (Note 6)	-	-	-	-	-
Deferred revenue	151,210	-	-	-	-
TOTAL CURRENT LIABILITIES	353,052	-	-	95,508	18,002
Due to North Central Local Government Association	-	-	-	-	-
Loan repayable (Note 6)	-	-	-	-	-
TOTAL LIABILITIES	353,052	-	-	95,508	18,002
Fund Balances					
Endowment fund (Note 7)	-	25,000,000	-	-	-
Externally restricted - uncommitted	-	-	-	61,542,327	26,066,265
Externally restricted - committed (Schedule 1)	-	-	-	3,794,325	2,740,303
Invested in tangible capital assets (Note 8)	-	-	131,827	-	-
Unrestricted	4,249,009	-	-	-	-
TOTAL FUND BALANCES	4,249,009	25,000,000	131,827	65,336,652	28,806,568
Contingencies (Note 9)					
Commitments (Note 10)					
TOTAL LIABILITIES AND FUND BALANCES	**$ 4,602,061**	**$ 25,000,000**	**$ 131,827**	**$ 65,432,160**	**$ 28,824,570**

Approved by the Board:

Director

Evan Saugstad, Chair
Northern Development Initiative Trust

Restricted						Total	
Cariboo- Chilcotin Lillooet Regional Development	Northwest Regional Development	Northeast Regional Development	Prince George Regional Development	Province of British Columbia	Other Trust Funds	2014	2013
$ -	$ -	$ -	$ -	$ 840,250	$ 28,324	$ 1,094,319	$ 187,200
-	-	-	-	-	89,889	158,478	141,015
-	-	-	-	-	-	73,214	70,255
19,687	362,844	92,034	102,320	-	3,496,432	5,721,484	5,921,557
19,687	362,844	92,034	102,320	840,250	3,613,645	7,047,495	6,320,027
14,241	699,230	881,219	558,644	-	84,564	16,310,930	20,816,356
26,081,207	25,312,036	30,326,769	31,801,296	-	130,530	221,420,891	199,242,352
-	-	-	-	-	-	131,827	157,549
$ 26,115,135	**$ 26,374,119**	**$ 31,300,022**	**$ 32,462,260**	**$ 840,250**	**$ 3,828,739**	**$ 244,911,143**	**$ 226,536,284**
18,606	17,907	21,637	22,873	41	-	396,416	384,648
-	-	-	-	-	3,495,432	3,495,432	4,066,765
-	-	-	-	-	-	151,210	-
18,606	17,907	21,637	22,873	41	3,495,432	4,043,058	4,451,413
-	-	-	-	-	130,530	130,530	-
-	-	-	-	-	84,564	84,564	3,579,997
18,606	17,907	21,637	22,873	41	3,710,526	4,258,152	8,031,410
-	-	-	-	-	-	25,000,000	25,000,000
22,715,971	24,210,911	29,618,423	25,004,210	840,209	118,213	190,116,529	171,576,429
3,380,558	2,145,301	1,659,962	7,435,177	-	-	21,155,626	18,756,683
-	-	-	-	-	-	131,827	157,549
-	-	-	-	-	-	4,249,009	3,014,213
26,096,529	26,356,212	31,278,385	32,439,387	840,209	118,213	240,652,991	218,504,874
$ 26,115,135	**$ 26,374,119**	**$ 31,300,022**	**$ 32,462,260**	**$ 840,250**	**$ 3,828,739**	**$ 244,911,143**	**$ 226,536,284**

Northern Development Initiative Trust

Statement of Operations and Fund Balances

For the 12 months ended December 31, 2014, with comparative information for 2013

	Unrestricted	Endowment			
	Operating	Operating Endowment Account	Invested in Tangible Capital Assets	Cross Regional	Pine Beetle
REVENUE					
Investment income, net of fees (Note 3)	$ 954,954	$ -	$ -	$ 1,588,627	$ 1,120,460
Interest income - projects	-	-	-	378,363	166,201
Contributions	-	-	-	-	-
Net unrealized gains	2,840,951	-	-	5,136,517	1,966,352
Loss on disposal of tangible capital assets	-	-	-	-	-
Financial services revenue	-	-	-	-	-
TOTAL REVENUE	3,795,905	-	-	7,103,507	3,253,013
EXPENSE					
ADMINISTRATION EXPENSES					
Amortization	-	-	75,412		-
Direct project expenses	-	-	-	68,344	14,111
General administration	134,387	-	-	-	-
S/C, fees, dues, licences	11,724	-	-	-	-
Office expense	157,369	-	-	-	-
Professional services	127,529	-	-	-	-
Rentals and maintenance	54,009	-	-	-	-
Office supplies	27,610	-	-	-	-
Salaries and benefits	919,159	-	-	-	-
TOTAL ADMINISTRATION EXPENSES	1,431,787	-	75,412	68,344	14,111
BOARD and RAC EXPENSES					
Board Costs	45,273	-	-	-	-
RAC - Northeast	1,956	-	-	-	-
RAC - Prince George	1,815	-	-	-	-
RAC - Cariboo-Chilcotin/Lillooet	5,091	-	-	-	-
RAC - Northwest	10,729	-	-	-	-
TOTAL BOARD and RAC EXPENSES	64,864	-	-	-	-
TOTAL ADMINISTRATION COSTS	**1,496,651**	-	**75,412**	**68,344**	**14,111**
Database development	-	-	-	-	-
Website consulting	14,768	-	-	-	-
Catalyst conversion	-	-	-	-	-
TOTAL INCREMENTAL PROJECT EXPENSES	14,768	-	-	-	-
Grants and loans (Schedule 1)	-	-	-	1,846,602	1,055,557
Less: repayable portion	-	-	-	-	-
NET GRANTS	-	-	-	1,846,602	1,055,557
TOTAL EXPENSES	**1,511,419**	-	**75,412**	**1,914,946**	**1,069,668**
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	2,284,486	-	(75,412)	5,188,561	2,183,345
FUND BALANCES, BEGINNING OF YEAR	3,014,213	25,000,000	157,549	60,148,091	25,623,223
Interfund transfers (Note 11)	(1,000,000)	-	-	-	1,000,000
Investment in tangible capital assets (Note 8)	(49,690)	-	49,690	-	-
FUND BALANCES, END OF YEAR	$ 4,249,009	$ 25,000,000	$ 131,827	$ 65,336,652	$ 28,806,568

Restricted						Total	
Cariboo-Chilcotin Lillooet Regional Development	Northwest Regional Development	Northeast Regional Development	Prince George Regional Development	Province of BC	Other Trust Funds	2014	2013
$ 779,361	$ 751,948	$ 903,118	$ 949,188	$ -	$ -	$ 7,047,656	$ 8,034,095
806	-	25,143	2,496	-	-	572,809	563,485
-	-	-	-	1,000,000	-	1,000,000	-
2,508,400	2,380,997	2,964,543	3,123,600	-	-	20,921,360	17,478,305
-	-	-	-	-	-	-	(818)
-	-	-	-	-	-	-	18,438
3,288,367	3,132,945	3,892,804	4,075,284	1,000,000	-	29,541,825	26,093,505
-	-	-	-	-	-	75,412	67,765
460	159	1,671	-	-	2,278	87,023	85,314
-	-	-	-	74,636	-	209,025	111,211
-	-	-	-	60	-	11,784	12,510
-	-	-	-	-	-	157,369	154,794
-	-	-	-	-	-	127,529	132,703
-	-	-	-	-	-	54,009	54,179
-	-	-	-	242	-	27,852	26,967
-	-	-	-	-	-	919,159	870,442
460	159	1,671	-	74,940	2,278	1,669,162	1,515,885
-	-	-	-	-	-	45,273	21,119
-	-	-	-	-	-	1,956	1,829
-	-	-	-	-	-	1,815	4,445
-	-	-	-	-	-	5,091	10,335
-	-	-	-	-	-	10,729	16,545
-	-	-	-	-	-	64,864	54,273
460	**159**	**1,671**	**-**	**74,940**	**2,278**	**1,734,026**	**1,570,158**
-	-	-	-	-	-	-	8,995
-	-	-	-	-	-	14,768	21,771
-	-	-	-	-	-	-	61,425
-	-	-	-	-	-	14,768	92,191
490,132	437,085	917,376	820,671	84,851	15,250	5,667,524	4,295,072
(15,000)	-	-	(7,610)	-	-	(22,610)	(604,446)
475,132	437,085	917,376	813,061	84,851	15,250	5,644,914	3,690,626
475,592	**437,244**	**919,047**	**813,061**	**159,791**	**17,528**	**7,393,708**	**5,352,975**
2,812,775	2,695,701	2,973,757	3,262,223	840,209	(17,528)	22,148,117	20,740,530
23,283,754	23,660,511	28,304,628	29,177,164	-	135,741	218,504,874	197,764,344
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 26,096,529	$ 26,356,212	$ 31,278,385	$ 32,439,387	$ 840,209	$ 118,213	$ 240,652,991	$ 218,504,874

NORTHERN DEVELOPMENT INITIATIVE TRUST

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	$ 22,148,117	$ 20,740,530
Items not involving cash:		
Amortization	75,412	67,765
Net unrealized gains	(20,921,360)	(17,478,305)
Loss on disposal of tangible capital assets	-	818
Accrued interest on loans receivable	(689,868)	(752,908)
	612,301	2,577,900
Change in non-cash operating working capital:		
Miscellaneous receivables	(17,463)	81,707
Prepaid expenses	(2,959)	(34,111)
Accounts payable and accrued liabilities	11,768	(35,718)
Deferred revenue	151,210	-
	754,857	2,589,778
Financing:		
Repayment of loan repayable	(4,066,766)	(3,999,874)
Investing:		
Investments	(1,257,179)	(3,217,075)
Repayment of loans receivable	5,417,977	5,438,597
Advance of loans receivable	(22,610)	(754,447)
Acquisition of tangible capital assets	(49,690)	(55,533)
Due to North Central Local Government Association	130,530	-
	4,219,028	1,411,542
Increase in cash	907,119	1,446
Cash, beginning of year	187,200	185,754
Cash, end of year	$ 1,094,319	$ 187,200

See accompanying notes to financial statements.

NORTHERN DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended December 31, 2014

Nature of operations:

Northern Development Initiative Trust (the "Trust"), a not-for-profit organization incorporated under the Northern Development Initiative Trust Act, operates primarily to be a catalyst for Northern B.C. and grow a strong diversified economy by stimulating sustainable economic growth through strategic and leveraged investments.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Trust's significant accounting policies are as follows:

(a) Restricted fund method of accounting:

The Trust follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Trust's general activities.

The Restricted Funds are comprised of the Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account, Prince George Regional Development Account and Province of British Columbia Account and report contributions restricted to activities outlined in their respective strategic plans. The Other Trust Funds are comprised of the Western Economic Diversification Community Adjustment Fund, Young Innovator Scholarship Fund, New Relationship Trust Fund and Northwest Powerline Fund and report contributions restricted to activities outlined in their respective strategic plans.

The Operating Endowment Account reports restricted resources contributed for endowment. Investment income earned on endowment resources is used for purposes prescribed in the Northern Development Initiative Trust Act.

(b) Investments:

Investments are recorded at fair value. The difference between historical cost and fair value is recorded as an unrealized gain or loss and recorded in the excess (deficiency) of revenue over expenditures in the period in which the difference occurred. Gains and losses realized during the year are computed using the average cost method and recognized directly in the excess (deficiency) of revenue over expenditures.

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Assets acquired under capital lease are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a tangible capital asset no longer contributes to the Trust's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Computer hardware	33%
Computer software	100%
Furniture and fixtures	20%
Leasehold improvements	20%
Vehicles	20%

(d) Externally restricted - uncommitted funds:

Uncommitted externally restricted funds represent funds not committed at year end to specific project proposals.

(e) Externally restricted - committed funds:

Committed externally restricted funds represent funds at year end for specific project proposals that have been approved by the Board of Directors and the cash disbursement will not occur until a future date after year end once the conditions of the signed funding agreement are met.

1. Significant accounting policies (continued):

(f) Revenue recognition:

Externally restricted contributions received for the Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account, Prince George Regional Development Account and Other Trust Funds are recognized as revenue in the year received. All other externally restricted contributions received are recognized in the Operating Fund as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized to the extent received or receivable.

(g) Grants and repayable grants:

Grants and repayable grants awarded by the Trust are recognized when the conditions of the signed funding agreement are met and funds have been disbursed.

(h) Income taxes:

No provision has been made for income taxes in these financial statements as the Trust is exempt under Paragraph 149(1)(c) of the Income Tax Act.

(i) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies, and that have not been hedged, are translated into Canadian dollars at the rates of exchange in effect at the statement of financial position date. Other assets, liabilities and items affecting earnings are translated into Canadian dollars at rates of exchange in effect at the date of the transaction. Gains or losses arising from these foreign currency transactions are included in the determination of income.

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of loans receivable. Actual results could differ from those estimates.

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Trust determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Trust expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Loans receivable:

	2014	2013
Cross Regional Development Account - Prince George. Interest only payments with interest calculated at bank prime rate (December 31, 2014 - 3%). Repayable in annual installments in the next five years of $901,223 in 2015, $1,607,367 in 2016, $1,568,546 in 2017, $1,530,716 in 2018, and $1,492,874 in 2019. Principal payments commencing in 2015.	$ 12,612,087	$ 12,612,087
Pine Beetle Recovery Account. Repayable in annual installments in the next five years of $1,814,351 in 2015, $117,123 in 2016, $160,382 in 2017, $187,688 in 2018, and $257,753 in 2019, including interest between 0.0% and 6.8%. Certain loans are secured by specific property, assignment of life insurance and personal guarantee.	3,110,103	2,984,637
Cariboo-Chilcotin Lillooet Regional Development Account. Repayable in annual installments in the next five years of $20,137 in 2015, $2,688 in 2016, $2,137 in 2017, 2018 and 2019, including interest between 0.0% and 3.0%.	33,928	54,171
Northwest Regional Development Account. Repayable in annual installments of $362,843 in 2015 and 2016, $332,396 in 2017, and $2,000 in 2018 and 2019, non-interest bearing.	1,062,082	1,679,635
Northeast Regional Development Account. Repayable in annual installments in the next five years of $115,237 in 2015, 2016 and 2017, $111,400 in 2018 and 2019 including interest between 0.0% and 4.0%.	973,253	1,063,345
Western Economic Diversification Community Adjustment Fund. Repayable in annual installments of $3,543,055 in 2015 and a final installment of $36,942 in 2016, including interest between 0.0% and 3.75%.	3,579,997	7,646,762

2. Loans receivable (continued):

	2014	2013
Prince George Regional Development Account. Repayable in annual installments in the next five years of $102,131 in 2015, 2016 and 2017, and $98,263 in 2018 and 2019, non-interest bearing.	660,964	697,276
	22,032,414	26,737,913
Current portion of loans receivable	(5,721,484)	(5,921,557)
	$ 16,310,930	$ 20,816,356

3. Investments:

The Trust's investments are held with Mawer Investment Management Ltd. at fair market value.

	2014	2013
Cash equivalents:		
Mawer Canadian Money Market	$ 11,595,287	$ -
Fixed income balances:		
TD Short-term Bond Fund	-	8,113,658
TD Real Return Bond Fund	-	17,001,171
TD Canadian Bond Index Fund	-	55,019,090
Mawer Canadian Bond Pooled Fund	67,610,578	-
	67,610,578	80,133,919
Equity balances:		
Mawer Canadian Equity Pooled Fund	38,497,612	51,670,883
Mawer Small Cap Fund	15,377,979	-
Mawer Global Equity Series	88,339,435	-
AGF Global Equity Fund	-	67,437,550
	142,215,026	119,108,433
	$ 221,420,891	$ 199,242,352

Investment income is presented net of management fees charged for the year ended December 31, 2014 of $700,267 (2013 - $676,737).

4. Tangible capital assets:

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Computer hardware	$ 232,109	$ 186,045	$ 46,064	$ 53,922
Computer software	153,931	153,062	869	10,412
Furniture and fixtures	144,335	120,557	23,778	24,813
Leasehold improvements	58,743	20,758	37,985	32,137
Vehicles	63,858	40,727	23,131	36,265
	$ 652,976	$ 521,149	$ 131,827	$ 157,549

5. Accounts payable and accrued liabilities:

	2014	2013
Trade payables and accrued liabilities	$ 360,624	$ 358,312
Payroll and withholding taxes	35,792	26,336
	$ 396,416	$ 384,648

6. Loan Repayable:

The loan repayable relates to the Western Economic Diversification Community Adjustment Fund and will be repaid under the same terms as detailed for the loan receivable in Note 2.

7. Endowment fund:

The Endowment Fund was established to receive proceeds of $25,000,000 from the Government of British Columbia pursuant to terms of the Northern Development Initiative Trust Act ("NDIT Act"). Interest or other income earned from the money invested may be used to cover operating expenditures incurred by the directors and officers of the Trust to perform their obligations under the NDIT Act. Income earned on the endowment is recorded fully in the Operating Fund. Included in operations is investment income of $954,954 (2013 - $1,108,596) and net unrealized gains of $2,840,951 (2013 - $2,200,903) for the year ended December 31, 2014.

8. Invested in tangible capital assets:

Invested in tangible capital assets is calculated as follows:

		2014		2013
Opening balance	$	157,549	$	170,599
Acquisition of tangible capital assets		49,690		55,533
Loss on disposition of tangible capital assets		-		(818)
Amortization		(75,412)		(67,765)
	$	131,827	$	157,549

9. Contingencies:

The Trust is contingently liable as guarantor of loans with unrelated parties in the amount of $1,787,889 (2013 - $3,354,866).

The Trust has a demand credit facility for standby letters of credit authorized to $15,000,000, secured by a general security agreement placing a first-priority interest in all present and future property of the Trust. As at December 31, 2014 there were two letters of credit issued for a total of $3,750,000 expiring between May and December 2015.

The Trust was liable for a loan guarantee with an unrelated party that defaulted on their loan in the amount of $343,485. Subsequent to year end, the loan was settled for $171,742 with the financial institution.

10. Commitments:

The Trust leases premises under a lease which expires May 2019 and certain computer and office equipment. The minimum lease payments in each of the next five years are:

2015	$	121,495
2016		121,495
2017		121,495
2018		121,495
2019		50,623
	$	536,603

11. Interfund transfers

	2014	2013
Transfers from the Operating Fund to the Pine Beetle Recovery Account:		
Loan repayment	$ 1,000,000	$ 250,000
Transfers from the Operating Fund to the Invested in Tangible Capital Assets Fund:		
Acquisition of tangible capital assets	49,690	55,533
	$ 1,049,690	$ 305,533

12. Financial risks and concentration of credit risk:

(a) Currency risk:

The Trust is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Trust purchases investments denominated in foreign currency. The Trust does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2013.

(b) Market risk:

The Trust derives revenue from its cash equivalents, equity and fixed income investments which are subject to market fluctuations. The Trust employs investment diversification to manage this risk.

(c) Credit risk:

The Trust is exposed to credit risk from the possibility that borrowers may default on their obligations. Management attempts to mitigate this risk by ensuring that proper due diligence is performed before funding is committed.

(d) Liquidity risk:

Liquidity risk is the risk that the Trust will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Trust manages its liquidity risk by monitoring its operating requirements. The Trust prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2013.

(e) Interest rate risk:

The Trust's fixed income securities and certain loans receivable are subject to interest rate risk. Rising interest rates may cause a decrease in the value of these securities. The Trust employs investment diversification to manage this risk.

13. Employee future benefits:

The Trust, and its employees, contribute to the BC Public Service Pension Plan (the "Plan"), a jointly trusteed pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 56,400 active members and approximately 40,500 retired members. Active members include approximately 85 contributors from the provincial government, crown corporations, government agencies and not-for-profit organizations.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation was performed as at March 31, 2014. The valuation shows an improvement in the actuarial position for the Basic Account, from a liability of $275 million as at March 31, 2011, to a surplus of $202 million as at March 31, 2014. The actuary does not attribute portions of the surplus to individual employers. Consequently, the Trust's share of this surplus cannot be determined. The main reasons for the improvement in the actuarial position are that the investment returns were higher than were assumed and there were changes in the demographic assumptions. The Trust paid $79,269 (2013 - $74,340) for employer contributions to the Plan during the year.

Northern Development Initiative Trust

SCHEDULE 1

Schedule of Externally Restricted - Committed Funds

Year ended December 31, 2014

Account	Total Funding Approved	Grants and loans 2014 Disbursements	Grants and loans 2013 Disbursements	2014 Outstanding Commitments	2013 Outstanding Commitments
Cross Regional Account	$ 29,182,032	$ 1,846,602	$ 1,815,347	$ 3,794,325	$ 3,562,301
Pine Beetle Recovery Account	21,291,062	1,055,557	1,109,085	2,740,303	3,073,709
Cariboo-Chilcotin/Lillooet Regional Development Account	9,576,992	490,132	165,543	3,380,558	2,863,098
Northwest Regional Development Account	12,504,473	437,085	304,103	2,145,301	1,344,113
Northeast Regional Development Account	6,036,766	917,376	182,809	1,659,962	1,091,775
Prince George Regional Development Account	14,257,377	820,671	652,459	7,435,177	6,821,687
Province of British Columbia	1,000,000	84,851	-	-	-
Other Trust Funds	30,460,588	15,250	65,726	-	-
TOTAL	**$ 124,309,290**	**$ 5,667,524**	**$ 4,295,072**	**$ 21,155,626**	**$ 18,756,683**

Staff

Janine North	Chief Executive Officer
Brenda Gendron	Chief Financial Officer
Renata King	Director, Business Development
Dean McKinley	Director, Economic Development
Joel McKay	Director, Communications
Karen Borden	Executive Coordinator
Tess Elo	Accounting Coordinator
Michelle Vander-Velden	Client Services Clerk
Caitlin Hartigan	Manager, Market Development
Emily-Anne Therrien	Finance Clerk

Investment Managers

Mawer Investment Management Ltd.
900, 603 – 7th Avenue SW
Calgary, AB T2P 2T5

AGF Investments Inc. (to July 2014)
Toronto Dominion Tower
3100, 66 Wellington Street West
Toronto, ON M5K 1E9

TD Asset Management Inc. (to July 2014)
TD Canada Trust Tower
161 Bay Street, 34th Floor
Toronto, ON M5J 2T2

Canadian Western Trust (to July 2014)
600, 750 Cambie Street
Vancouver, BC V6B 0A2

Auditors

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400 – 177 Victoria St.
Prince George, BC V2L 5R8

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